



Clinton launches economic plan

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Tomorrow's Weekend FT

Extermination threat in uncharted Amazonia



FINANCIAL TIMES

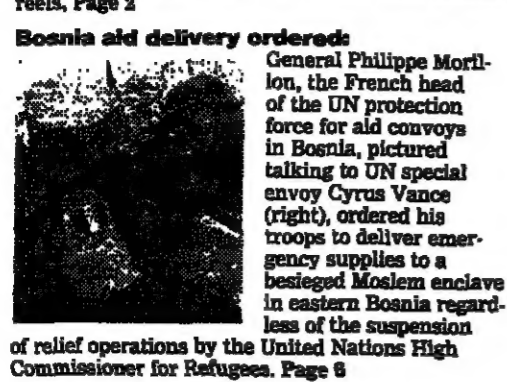
Europe's Business Newspaper

FRIDAY FEBRUARY 19 1993

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Krupp Stahl to cut output of steel products

Krupp Stahl, one of the best known names in the German steel industry, is set to shut down its entire output of steel sections, with the loss of 4,000 jobs in the heart of the Ruhr industrial region. The announcement came as thousands of steelworkers demonstrated in a number of steel towns against imminent job losses throughout the industry. Page 14, Europe's other steel industry reels. Page 2



Bosnia aid delivery ordered

General Philippe Morillon, the French head of the UN protection force for aid convoys in Bosnia, pictured talking to UN special envoy Cyrus Vance (right), ordered his troops to deliver emergency supplies to a besieged Muslim enclave in eastern Bosnia regardless of the suspension of relief operations by the United Nations High Commissioner for Refugees. Page 6

HDTV standards Europe will have to fall in line with the US on a transmission standard for digital high-definition television, the EC industry commissioner, Martin Bangemann, said. He said there was no point in starting a new global battle over advanced television standards by trying to set an exclusive EC standard. Page 14

Statoll profits fall 40% Statoll, the Norwegian state oil company, reported a 40 per cent slide in 1992 net profits to Nkr2.5bn (\$361.3m) from Nkr4.1bn, caused by a big operating loss in petrochemicals operations, low oil prices and weak refinery margins. Page 15

UK jobs push ahead 3m UK headline unemployment last month pushed above 3m for the first time in six years increasing the prospect of tax increases in next month's Budget. Page 14; Further details, Page 7

Kingfisher merges with Darty: Kingfisher, the UK retail group, completed its £1.1bn (\$1.56bn) merger with Darty, France's biggest electricals retailer, to create one of the biggest non-food retailing groups in Europe. Page 16; Lex, Page 14

RTZ moves into US coal business: RTZ, the world's biggest mining company, is moving into the US coal business with a \$470m agreed offer for Nerco, the troubled natural resources group. Coal operations at Nerco, which is 82 per cent owned by PacifiCorp, will be merged with RTZ's US Kennecott copper and gold mining subsidiary. Page 15; Lex, Page 14

Security Council plan for Japan Japan may become a permanent member of the United Nations Security Council after a wide-ranging review of the council's structure, Boutros Boutros Ghali, UN secretary-general, said at the end of a four-day visit to Japan. Page 6

EC-US procurement rows A possible solution to the row between the US and the EC over telecommunications and other government procurement contracts was put forward, based on "comparable, effective and lasting access" to each other's markets, and equal treatment to exporters. Page 3

Geba in agreed takeover offer: Geba, a leading German drugs wholesaler, announced a FF800 (\$144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique. The merger would create the largest European pharmaceutical distribution business, with sales of around DM14bn (\$8.5bn) a year. Page 16

Clinton proposed for Oxford degree: England's Oxford University has proposed US president Bill Clinton for the Degree of Doctor of Civil Law by Diploma, a special degree reserved for royalty and heads of state.

Kirin Brewery's sales rise: Kirin Brewery, Japan's largest food and beverage company, reported a rise in 1992 sales thanks mainly to its premium beer, Ichiban Shibori, but posted a fall in non-consolidated profits. Pre-tax profits fell 4.3 per cent to ¥82.7bn (\$689m), despite a 3.8 per cent rise in sales to ¥1,366.1bn. Page 18

UK criticised over social charter: President Francois Mitterrand, speaking on French television, criticised the UK for "lack of solidarity" in opting out of the social charter of the Maastricht treaty, saying this had contributed to Hoover's relocation of its factory from eastern France to Scotland.

STOCK MARKET INDICES			
FT-SE 100	2,877.7	(+32.7)	
Yield	4.28		
FT-SE Euroshare 100	1,182.99	(+11.18)	
FT-SE All-Share	1,385.59	(+0.76)	
Nikkei	10,952.14	(-27.49)	
New York Composite	3,398.48	(-2.70)	
S&P Composite	438.15	(-0.15)	
US LUNCHTIME RATES			
Federal Funds	3%		
3-mo Treas Bill	2.941%		
Long Bond	10.1%		
Yield	7.834%		
LONDON MONEY			
3-mo interbank	6.14%	(Same)	
Little long gil future	103.2	(+0.3)	
NORTH SEA OIL (Argus)			
Brent 15-day Apr	\$17.88	(+0.17)	
Gold			
New York, Comex Apr	\$331.5	(331.0)	
London	\$330.85	(330.15)	
Austria	SCH00	Greece	D300
Belgium	D120	Hungary	F102
Denmark	D2015	India	R540
France	FM12	Indonesia	R3000
Germany	D4030	Italy	L100
Greece	D300	Japan	Y100
Ireland	IR100	Korea	W100
Italy	L100	Malaysia	M100
Japan	Y100	Mexico	M100
Netherlands	D120	Norway	N100
Portugal	P100	Spain	P100
Sweden	S100	Switzerland	S100
Switzerland	S100	Taiwan	T100
Taiwan	T100	Thailand	TH100
Thailand	TH100	Turkey	T100
Turkey	T100	USA	US100
USA	US100	UK	UK100
UK	UK100	West Germany	W100
West Germany	W100	Yugoslavia	Y100

Polls show voters welcome proposals ■ Opponents question tax rises

Clinton wins public approval as Republicans attack plans

By George Graham in Washington

PRESIDENT Bill Clinton and his cabinet yesterday embarked on the task of turning his four-year, \$500bn package of tax increases and spending cuts into reality, lifted by favourable public reaction but facing hostility from Republicans.

Overnight opinion polls, although narrowly based, suggested that three quarters of those who heard the speech approved of its proposals, 60 per cent of them enthusiastically.

But Republicans attacked the package for raising taxes too much and cutting spending too little. They also questioned whether the efforts to reduce the budget deficit, which are concentrated in the later years of the four-year plan, would ever see the light of day.

"You hang your hat on what's going to happen three years from now. I'm sorry but people don't believe that in America and on Wall Street," said Mr John Kasich, the senior Republican on the House of Representatives budget committee.

This could spell difficulty for President Clinton's efforts to push his economic plan through Congress in an important budget bill, which congressional leaders hope to complete before the August recess.

Mr Dan Rostenkowski, however, who as chairman of the House of Representatives Ways and Means Committee is one of those with the most control over the package's legislative fate, said that voters might be well ahead of their representatives in recognising the need for sacrifice to deal with the federal budget deficit. "I honestly believe that the people, generally, are more willing than the Congress to move in this area," he said.

THE CLINTON PLAN

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Mr Clinton is hoping to capitalise on this sentiment with a series of public meetings across the country, appealing directly to voters to back his proposals.

While Republicans are lining up en bloc against the bill, some Democrats, anxious not to be associated too closely with higher taxes before the 1994 elections, could also desert their president.

Senator David Boren, a conservative Democrat from Oklahoma, yesterday urged Mr Clinton not to press the short-term stimulus component of his plan before he has won agreement on his broader deficit reduction proposals.

als. "That's getting the cart before the horse," he said.

If US voters, however, react more favourably to the package, members of Congress might be emboldened. After extending an olive branch to the Republicans in his speech to Congress on Wednesday night, Mr Clinton yesterday sharpened his criticism of their economic policies in a book entitled: "A vision of change for America."

"The election of 1992 was a mandate for change - and no wonder... such is the sorry legacy of 12 years of short-sightedness, mismanagement and protection of the privileged," he wrote.

In Congress, Mr Leon Panetta, the budget director, took the battle to his opponents in a sharp exchange with Mr Kasich.

"The problem is that we have had gridlock in the Congress because Republicans have always taken the position that you can't increase taxes on the wealthy and Democrats have always said you can't cut any programmes, and that produces gridlock," Mr Panetta said. "And you are now the perfect example through your arguments of the kind of gridlock that I think people are tired of."

While the Clinton package is projected by the White House to reduce the budget deficit from \$332bn this year to \$206bn in 1997, administration officials yesterday warned that the deficit would start to climb again from 1998 unless health care costs, which have been spiralling at twice the rate of inflation for years, are brought under control.



President Clinton addresses a joint session of Congress, while Vice-President Al Gore (left) and House Speaker Thomas Foley listen

Bonds rise but shares fall

By Patrick Harverson in New York

THE US markets gave President Clinton's package a mixed reaction yesterday. Government bonds rose sharply but share prices fell.

In early afternoon trading the benchmark 30-year government bond, the key indicator of bond market performance, was up almost three-quarters of a point at 101.6.

Investors in fixed-income government bonds believe that the tax-raising package will slow economic growth and therefore stifle inflation, which would help maintain the value of their investments.

However, the prospect of slower economic growth undermined shares on Wall Street.

Mr Will Brown, chief economist at JP Morgan in New York, said: "The package will act as a

modest restraint on demand, but not to a magnitude likely to derail a recovery." By mid-session the Dow Jones Industrial Average was down 14.59 at 3,397.69.

Earlier in the day the Dow had jumped 35 points in the first few minutes of trading, a move that analysts said was primarily a technical reaction from investors who felt that stocks had been oversold during Tuesday's 82-point plunge in the Dow.

The buying quickly petered out, however, on concern about the economy and disappointment that the president's deficit reduction package was not tilted more towards spending cuts.

The hardest hit sector on Wall Street was airline stocks which fell sharply on news of the energy tax and worries about the effect of higher income taxes on demand for air travel. UAL fell 3% to 116, Delta fell 1% to 46%

and the parent company of American Airlines dropped \$2 to 57%.

The rise in the price of the 30-year bond pushed the yield, or real interest rate, down to 7.064 per cent, its lowest level in more than six years.

This makes it likely that US mortgage and corporate borrowing rates - many of which are pegged to the 30-year bond yield - will come down over the next few days.

The bond market was also buoyed by the news that the Treasury, in an attempt to cut the cost of financing the federal deficit, is considering reducing the amount of longer-dated government securities it issues.

The foreign exchange markets also responded positively to the president's speech, bidding up the dollar almost 3 pence to DM1.6515 in late overseas trading on Wednesday night.

Swedish government stands by lossmaking SE Banken

By Christopher Brown-Humes in Stockholm

THE SWEDISH government yesterday promised state support to rescue Skandinaviska Enskilda Bank, the country's leading commercial bank, after it announced a SKr5.3bn (\$706m) preliminary operating loss for 1992 and said it was facing two more years of heavy credit losses.

The bank warned that the value of its shares "must be regarded as uncertain" in the light of its prospects and the current depressed state of the Swedish economy. Its shares fell SKr3 to SKr10.50.

The banks warned of "substantial" losses on loans for the next two years. Doubtful loans tripled to SKr28.8bn, or 8 per cent of total outstanding loans, from SKr9.6bn. The bank will not pay a dividend.

Soaring lending losses and the erosion of its capital base have

forced SE Banken to seek state support. Its 1992 year-end 8.4 per cent capital adequacy ratio was almost certain to fall below the 8 per cent legal minimum during 1993, it said.

The government pledged assistance "if capital cannot be attracted to the bank in any other way."

Mr Bo Lundgren, taxation minister, said: "The commitments of SE Banken will be fulfilled on a timely basis. Thus the activities of the bank can continue in the same way as today in relation to households, companies and other creditors."

SE Banken first revealed last December that it had approached the state about possible financial support and last month it announced a sweeping overhaul of its operations.

It is widely believed that the state will end up carrying a heavy portion of SE Banken's bad debts while efforts are made

to attract private capital. In the last resort, the state could take over the bank as it did with Nordbanken and Gota Bank.

Mr Björn Svedberg, SE Banken chief executive, said: "I sincerely hope that it will be possible to get government support in combination with new private capital in forms which permit SE Banken to remain a privately owned bank."

The bank's 1992 result is a sharp turnaround from the previous year's SKr2.3bn profit and follows a jump in lending losses to SKr10.8bn from SKr4.8bn.

Mr Svedberg said many of the problems stemmed from the collapse in the real estate market, with 15 customers accounting for almost half of total 1992 lending losses, and stressed that the bank's core businesses were sound and profitable.

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Yeltsin seeks nation's backing for reform

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, yesterday appealed to the nation to support his version of a constitution if a referendum on who rules the country becomes necessary.

The president outlined his version of a constitutional agreement with the Russian parliament on dividing the balance of power. His proposals seem certain to be rejected by parliament because of uncompromising demands for the government to take sole charge of economic reform and to control the central bank.

His proposals amount to a neutering of parliament, with the added insult of taking from it the decision on a new constitution and giving it to a constituent assembly.

Mr Yeltsin said that there were forces, "inherited from the old system and... responsible for nothing" who were benefiting from the crisis - a reference to parliament, which was elected during the Soviet period.

He endorsed a referendum "in which the people can have their say" as the only way out of a power crisis if the current negotiations with the team selected by Mr Russian Khasbulatov, the parliamentary speaker, fail. Mr Yeltsin's constant stress on the possibility of failure, coupled with the maximalist nature of his proposals, suggest that he gives the negotiating process little chance.

He reminded his audience that he had tried many times to get agreement with the Supreme Soviet on a respite from the constant power struggle. He said that only when the threat of a referendum was held above their heads did they agree to negotiate.

The Russian president said that he supported early elections once an election law had been adopted - with elections for parliament in the spring of next year, and for president in the spring of 1995. "To hold the two elections at the same time would risk destabilisation," he said.

Mr Yeltsin knows, however, that he is launching an appeal for

Continued on Page 14 Yeltsin steps up battle, Page 2

NEWS: EUROPE

Rocard alliance plan rallies socialists

By Alice Rawsthorn in Paris

SENIOR French socialists yesterday rallied to the call by Mr Michel Rocard, former prime minister and a potential presidential candidate, for a new centre-left alliance of socialists, ecologists and communists after next month's parliamentary elections.

Mr Rocard, who had previously adopted a low profile in the electoral campaign, called at a rally in Tours on Wednesday night for the replacement of the old socialist party by "an open, extrovert movement... gathering all those who share the values of solidarity and the goal of progress."

A number of prominent socialists, steeling themselves for a humiliating defeat by France's conservative coalition in the elections, backed Mr Rocard's call. Mr Pierre Bérégovoy, the prime minister, suggested the momentum of the new movement could be used to help the left in the current campaign.

"In all democracies, there is a conservative camp, the right,

and a progressive camp that represents the left," the prime minister said.

Mr Brice Lalonde, environment minister under Mr Rocard and now head of the Génération Ecologie environmental movement that has taken support away from the socialists, praised the speech as the precursor to the formation of a new democratic movement in France.

The ecologists have drawn support from disillusioned socialists recently and opinion polls put their support almost level with the socialists.

Libération, the centre-left newspaper, published an editorial praising Mr Rocard for his "calculated risk" and for recognising the changes in the French political spectrum.

The response of the traditional left was more muted. Mr Laurent Fabius, first secretary of the Socialist party whose presidential prospects have been clouded by his involvement in the AIDS-contaminated blood scandal, said the party's grass roots membership should decide the future of French

socialism.

Mr Antoine Waechter, head of the Greens, the old-style ecologists, said his party had "no intention of participating in the renewal of the Socialist party or of the left."

The French socialists, flagging in the opinion polls and battered by scandals, have fallen prey to the same sort of identity crisis that beset the British Labour party in the 1980s and is now preying upon the Italian left.

Mr Rocard's call follows months of discussion about the French left's prospects after the elections. Some prominent centre-left figures, notably Mr Bernard Kouchner, the popular but non-partisan minister of health and humanitarian affairs, have recently flagged the possibility of socialist sympathisers allying with the ecologists after the elections.

Even President François Mitterrand last week stressed the "common ground" between the socialists and ecologists in an interview in Le Monde newspaper.

Output plunges amid call for national postal strike

By Alice Rawsthorn

THE continuing deterioration in the French economy was highlighted yesterday by news of an unexpectedly steep 1 per cent fall in industrial output in December compared with November.

The drop in December pushed the production index to its lowest level since October 1988, according to INSEE, the state statistics institute.

The news came as the government yesterday stepped up efforts to try to end the strikes and stoppages by postal workers which are creating chaos in France's mail service.

Mr Pierre Bérégovoy, prime minister, said he had told Mr Emile Zuccarelli, the post office minister, to "do his best" to ensure that talks get under way "as quickly as possible."

However, a few hours after the prime minister's remarks,

union negotiators broke off talks with the Paris post office and called for a national postal stoppage for today.

The strikes, against plans to lay off 3,000 workers, come at a sensitive time for France's socialist government which is braced for a crushing defeat by the conservative opposition in next month's parliamentary elections.

The socialists, battered by gloomy economic news, are anxious to prevent further damage to the economy. A prolonged mail strike would seriously disrupt French business, which accounts for 85 per cent of the country's post and is already suffering in the economic slowdown.

Industrial output in December was 3.7 per cent lower than in December 1991. Worst affected was manufacturing, with output 2.8 per cent down on November, mainly due to a

sharp fall in car production.

The INSEE figures, which come little more than a month before the first round of voting in France's parliamentary elections, have fuelled fears that the combination of high interest rates, a strong franc and the gloomy economic environment in Europe is intensifying pressure on French industry.

Earlier this week the Bank of France's monthly business survey suggested that the trading climate had been even tougher in the opening weeks of this year. The consensus in the survey was that output had fallen even further in January than in December and that stocks had risen sharply across most areas of French business.

Mr Jean-René Fourtou, chairman of Rhône-Poulenc, France's flagship chemicals company, has warned that the European economy was unlikely to recover until 1994.

Europe's other steel industry reels

Output has halved as markets collapse to east and west, writes Anthony Robinson

THROUGHOUT central and eastern Europe a bloated steel industry is in the throes of a painful contraction proportionately far greater than that facing the industry in western Europe. Steel output in the region has virtually halved, and employment fallen by a third, over the last three years, as a result of the collapse of military spending and the impact of macro-economic "shock therapy".

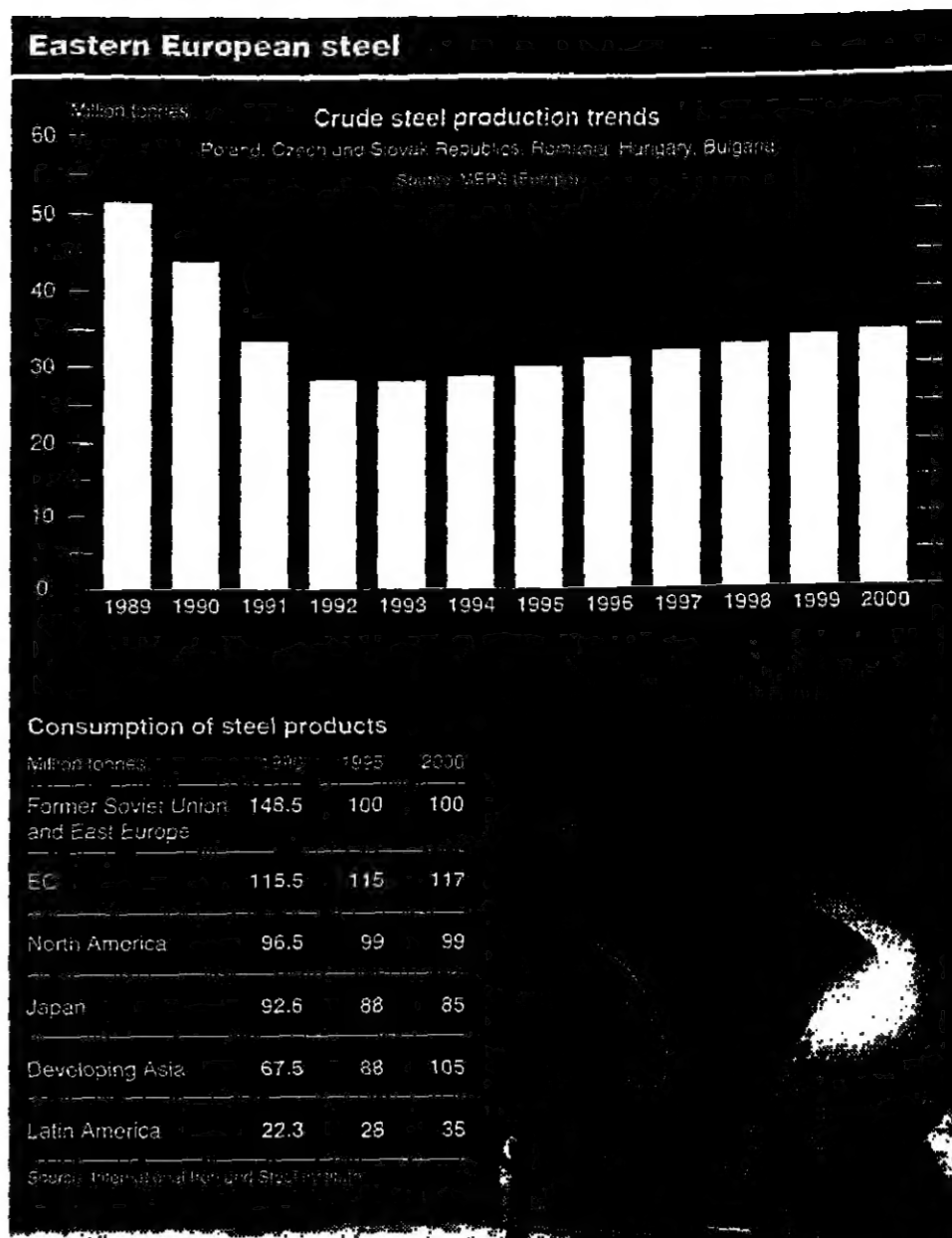
Furthermore, hopes of increased sales to the west, to compensate for the loss of the Soviet market, have been dashed by US and EC anti-dumping measures. East European imports last year accounted for less than 3 per cent of the EC market, despite rapid growth in the export of flat steel, pipes and other products.

The position is likely to be exacerbated further by the latest EC proposals to impose minimum prices on steel exports - or face anti-dumping duties. Deprived both of former artificially low Soviet energy and raw material supplies and the demand for armaments, the steel industries of Poland, Hungary, the Czech and Slovak republics, Romania and Bulgaria are all involved in downsizing and plant closures on a large scale.

Poland's steel-consuming shipbuilding industry now has full order books until 1995 and steady economic growth is expected to resume this year, after three traumatic years of decline, but it still plans to cut steel capacity from the present 16m tonnes to 11m tonnes of raw steel before the turn of the century. By then, employment will be down to 43,000 from the present 110,000, itself 50,000 down on mid-1980 levels.

The Ostrowiec and Szczecin mills are to be closed. Parts of the Batory, Bobrek, Buzczek and Bankowa plants in Silesia will also be shut down. Meanwhile, two of the largest integrated steel plants, at Katowice and Krakow, are to be merged into one smaller company with the installation of modern continuous casting lines.

At present, the bulk of Polish steel comes from outdated and polluted open-cast equipment, with only 7 per cent produced by continuous casting. The old plant is to be replaced by elec-



Consumption of steel products

Million tonnes

1990 1995 2000

Former Soviet Union and East Europe

148.5 100 100

EC

115.5 115 117

North America

96.5 99 99

Japan

92.6 88 85

Developing Asia

67.5 88 105

Latin America

22.3 26 35

Source: International Iron and Steel Institute

tronic arc furnaces and scrap-consuming mini-mills under a \$4.5bn modernisation plan.

The plan predicts that by the end of the century Polish steel exports, at 2m tonnes, will be below the 2.5m tonnes of 1990, while imports will have risen from 300,000 to 1.1m tonnes. Last year, Poland earned around \$460m from its steel exports, mainly to Germany and other EC markets. But the main development was the sale of Huta Warszawa to Lucchini of Italy, which is investing \$200m in a modern strip mill to produce steel sheet for the new

Flat car plants in Poland.

With plenty of indigenous coal supplies, but little iron ore, the east and central European steel industries are all heavily dependent on ore supplies from Russia and the Ukraine. Both Huta Katowice in Poland and the East Slovakian steel plant at Kosice in Slovakia are directly linked by rail to Krivoriog in south eastern Ukraine. But future supplies to the plants hinge on completion of a new pelletisation plant whose construction has been abandoned by Germany and others.

Until now the Czech and Slovak steel industries have resisted contraction better than their competitors elsewhere in central Europe, with output declining from 15m tonnes in 1989 to around 11m tonnes in 1992. The main steel plants in Bohemia and Moravia are particularly well-placed to supply cheap steel for the construction boom taking place in eastern Germany.

In comparison, output by the Romanian industry, which is the third largest in eastern Europe, has fallen by 60 per cent from 14.5m in 1989 to an

estimated 5.3m in 1992. Romania has become the main partner in the Krivoriog project because of its dependence on Ukrainian supplies. Meanwhile, the industry is battling to keep up production and find markets for its steel in the Middle East rather than the EC.

It is a similar story of sharply falling output among the smaller producers such as Bulgaria and Hungary.

Plagued with energy and raw material shortages the Bulgarian industry has seen output halve to under 1.5m tonnes in 1992 with mills reduced to seeking hire-rolling contracts to provide minimum employment.

In Hungary, capacity and output have both fallen by over 50 per cent over the last three years as part of a broader strategic shift out of energy and raw material intensive sectors into lighter industry and processing. Output has fallen from 3.7m tonnes in the mid-1980s to 1.6m tonnes last year when employment was down to 23,000 from 61,000.

Only two steel-making centres survive, at Dunaujvaros on the Danube and Dimag at Diosgyor in eastern Hungary. A third steel centre at Ocsa closed down but might re-open as a much smaller scrap-based mill of around 400,000 tonnes capacity.

Heavy investment by General Motors and Suzuki have created new demand for high quality sheet steel for the new car industry. But the future of heavy steel making plants such as Dimag is problematical. Heavy investment is required to reduce capacity from the current 1m tonnes to around 600,000 tonnes using modern converter technology.

However, finding the resources for this type of modernisation is going to be hard. For while the EC's rescue package may have offered new hope to western European steelmakers, it has served to push their eastern counterparts even further into the cold.

The type of integration and cross-investment beginning to emerge among eastern and western producers in other industrial sectors is not going to come easily to steel.

Additional reporting by Christopher Robinson in Warsaw, Nicholas Denton in Budapest and Patrick Blum in Prague.

Economic woes dog Hungary's new finance minister

By Nicholas Denton in Budapest

THERE may never be an auspicious moment to become Hungarian finance minister but Mr Ivan Szabo is taking over at a particularly critical time.

His appointment followed the surprise resignation of Mr Mihaly Kupa, a maverick technocrat who often clashed with other ministers.

Mr Szabo, a 58-year-old former engineer and industry minister, inherits an economy bumping along the bottom after a long and deep recession.

The collapse of domestic demand and trade with east European neighbours has caused gross domestic product to fall 18 per cent over the three years to 1992.

The influx of \$4.5bn in foreign investment since reforms began and the double-digit growth in exports to the European Community have not been enough to power the economy. Faint signs of a recovery in industrial output in the autumn, which had revived hope, have lost momentum.

On the day Mr Szabo was named, unemployment figures

climbed to a record 13.3 per cent. Also came the embarrassing announcement that inflation rose to an annual 35.9 per cent after a batch of VAT and price rises in January.

Political pressure on the new finance minister will mount as elections in 1994 approach. The Hungarian Democratic Forum, the governing conservative party of prime minister Jozsef Antall, languishes around the 10 per cent mark in the opinion polls, blamed for falling living standards.

Economic woes, and the public perception that former communists are making fortunes

as entrepreneurs, have also boosted the populist far-right.

The prime minister hopes that the moderate Mr Szabo will boost his wing of the party and position the Forum to take credit for the economic recovery forecast for later this year.

There is however another awkward legacy facing the new finance minister. The International Monetary Fund is maintaining the freeze on a \$DR1.14bn (\$1.56bn) credit package until Hungary agrees to cut spending and reduce a budget deficit of Ft197bn (\$2.37bn) in 1992, nearly triple the target level.

The finance ministry changed hands the week after an IMF delegation left Budapest unconvinced of the government's commitment to curtail benefits such as family allowances, free health care and education.

Mr Szabo moved quickly on his nomination to reassure observers that fiscal policy would not fundamentally change under his stewardship - indeed that the government had to persist with unpopular measures - and that Hungary would continue to seek agreement with the IMF.

Job agencies attack curbs in EC

By David Goodhart, Labour Editor

RESTRICTIONS on temporary job agencies are hindering job creation in the European Community, according to the International Confederation of Temporary Work Businesses.

The employers' group has filed a formal complaint to the European Commission about restrictions in Italy, Spain, and Germany and it has written to Mr Jacques Delors this week asking for a "quick response."

Mr Wim Ruggenberg, federation president, told Mr Delors that in view of concern about

EC unemployment he should immediately lift all restrictions, saying "our industry provides a mechanism for keeping in touch with the job market and in work, even if temporary." He quoted a French survey which said 25 per cent of temporary workers get permanent jobs as a result of work found through the agencies.

In the Netherlands and the UK temporary work agencies, such as Manpower, are encouraged. In Germany they are legal but severely restricted, but are illegal in Greece, Italy and Spain.

The complaint has, so far,

made little progress in the Commission despite support from the single market and competition directorates. The social affairs directorate is more hostile although its view may change if the International Labour Organisation revises its long-standing reservations on temporary work agencies.

The three countries being targeted have all promised some reform but it is unlikely to be enough to satisfy the employers' federation. Greece has not been targeted because the potential market is too small.

German engineering employers revoke eastern pay deal

By Judy Dempsey in Berlin

GERMANY'S engineering employers are abandoning an agreement to bring east German wages up to the level of their west German counterparts by 1994.

The decision is likely to provoke a major confrontation between IG Metall, Germany's giant engineering union, and Gesamtmetall, the employers' federation.

It could lead to a wave of strikes among IG Metall's 300,000 workers in eastern Germany. More than 10,000 workers in Chemnitz, Saxony demonstrated on Wednesday against any attempts to revoke the contract.

Mr Klaus Zwickel, the deputy chairman of IG Metall, yesterday described the employers' decision as a "spectacular breach of the law." It would not be accepted without a struggle.

Mr Hans Peter Minter, head of Saxony's Metal and Electrical Industry Association, said the contract was no longer valid because the economic circumstances in both west and east Germany had deteriorated considerably since it was signed in March 1991.

Mr Minter repeated yesterday that the employers were prepared to award the engineering and electrical workers in the five east German states a 9 per cent rise for 12 months from April 1.

IG Metall has insisted, on the basis of the 1991 contract, on a 26 per cent pay increase for its members starting from April 1.

East German rates in the sector are currently 71 per cent of western rates. A 26 per cent pay rise would take this to 83 per cent of western rates. Productivity levels in the east are about 70 per cent below west German levels, and unit labour costs are 140 per cent higher.

Union officials in Berlin said arbitration talks would begin today, despite the breakdown of talks earlier this week in Saxony and Thuringia.

But Mr Michael Böhm, IG Metall's spokesman in Berlin, said Gesamtmetall would try to use yesterday's announcement to break off talks in the capital.

"It's not only the breach of contract, and the 26 per cent pay rise we are fighting for," he explained. "It is for the whole future of collective wage bargaining, which has existed since the war. That is the real issue for us," he said.

Union officials are now considering what action to take. They could go court and try to prove that Gesamtmetall had broken the contract, or ask workers to go the courts if they do not receive the 26 per cent increase, or call a strike.

Failure to reach a compromise could mean the breakdown of central wage bargaining between employers and unions as employers seek local deals.

Italian minister urged to resign

By Haig Simonian in Milan

ITALY'S health minister, Mr Franco De Lorenzo, yesterday faced calls to resign after deputies voted to remove his immunity from prosecution.

Mr De Lorenzo, a Liberal from Naples, is under investigation following allegations that he, along with other Naples politicians, exchanged political favours, such as guaranteed jobs, for votes.

The decision on Mr De Lorenzo's immunity still has to be

ratified by the full Chamber of Deputies, Italy's lower house.

On Wednesday, the lower house committee also voted in favour of lifting the immunity from prosecution of the two other MPs involved in the case, Mr Giulio Di Donato, a Socialist, and Mr Alfredo Vito, a Christian Democrat (DC).

The latest twists in Italy's corruption scandal could complicate moves by leaders of the four-party coalition to bring other parties into government. Mr Giuliano Amato, the prime

minister, yesterday declined to comment on Mr De Lorenzo or a possible cabinet reshuffle, before delivering a statement to the Senate, the upper house, today.

Early next month the committee on immunity is expected to hear testimony from Mr Bettino Craxi, the former Socialist party leader, before opening discussions on whether to lift Mr Craxi's immunity on two of the six requests by Milan magistrates.

Meanwhile in Milan, magis-

trates yesterday began questioning Mrs Enza Tomaselli, Mr Craxi's long-standing private secretary in his Milan office. Mrs Tomaselli, who was arrested on Wednesday, is reported to have denied allegations of corruption and collusion in illegal party funding.

According to testimony from other witnesses involved in the corruption scandal, leaked by the Milan magistrature, Mr Craxi's office was a focal point for the payment of illegal kick-backs to the party.

Russia 'trying to paralyse Ukraine'

By Chrystie Freeland in Kiev and John Lloyd in Moscow

RUSSIA was trying to bring about "a full paralysis" of the Ukrainian economy, Mr Leonid Kuchma, Ukraine's prime minister, said yesterday.

Such action could present the west with a "distorted" view of the republic's economic position, he said.

The remarks by Mr Kuchma, who has consistently sought an economic and political rapprochement with Russia, indicate a sharp deterioration in relations between the two former Soviet republics.

"Unfortunately, there is already a conflict," Mr Kuchma said. "Worse still, this is a conflict in which there can be no victors."

The weapons in the struggle are oil and gas, for which Russia is demanding world prices or threatening to decrease supply, and the unresolved issue

of the foreign debts and assets of the former Soviet Union.

But recent comments by Russian officials suggest that disagreements about these economic issues are underpinned by political and military disputes between Russia, which is seeking to retain some of the former Soviet Union's old sphere of influence, and Ukraine, which is adamantly charting a separate course.

In an effort to save the situation, Mr Kuchma said that he had telephoned his Russian counterpart, Mr Viktor Chernomyrdin, yesterday to arrange a meeting next Friday.

"I cannot understand the Russian position," Mr Kuchma said. "It is not motivated by economics. It can only be seen as some sort of pressure on Ukraine. But Russia must realise that to return to the former Soviet Union is neither technically nor politically possible."

Earlier this week Mr Viktor

Shokin, Russian deputy prime minister, said Ukraine could have subsidised energy only if it made concessions to Russia over the Black Sea Fleet, allowed Russian military bases to be established in Ukraine, and permitted Russia to export oil and gas through Ukrainian pipelines.

Mr Shokin's statements came on top of Russia's unilateral increase in the prices it charges Ukraine for natural gas to world levels - a jump of 2,500 per cent - and the announcement by the Russian prime minister that Ukraine would receive only 15m tonnes of oil this year, 5m less than Russia promised in January and one third of Ukraine's energy requirement.

"They understand perfectly that to move to world prices in one day means a complete paralysis of the Ukrainian economy," said Mr Kuchma. He said Ukraine received no oil from Russia in January.

Nuclear missiles in Ukraine are being drawn into the struggle. Ukrainian and Russian sources say the missiles are not being properly maintained by the Russian factories which produced them. Western diplomats in Kiev say that in a worst case scenario the missiles would not be mistakenly launched but could explode, spreading nuclear material throughout the region.

"We have the impression that Russians are withholding technical assistance in an effort to discredit the Ukrainian armed forces," said Lieutenant General Oleksiy Kruzha, who is in charge of the nuclear missiles in Ukraine.

A senior Russian official, quoted in the Moscow daily Ivestia, said the failure to maintain the missiles "has created the threat of a second Chernobyl".

Bangemann gives priority to telecoms

By Andrew Hill in Brussels

MR Martin Bangemann, the EC industry commissioner, yesterday signalled that an active telecommunications policy would spearhead Commission attempts to boost industrial growth in the Community.

The commissioner said priority during the Commission's two-year term should be given to strengthening the competitiveness of EC industry. Outlining his work programme for 1993, Mr Bangemann said telecommunications was one sector in which "we can move very quickly to create new demand immediately".

Mr Bangemann added responsibility for telecommunications to his industry portfolio in the Commission reshuffle last December. The change has given him control over Commission policy on information technology, high-definition television (HDTV) and telecommunications liberalisation, as well as more than 40 per cent of the funds available to business through the EC's research and development programmes.

Mr Bangemann intends to concentrate on improving cross-border telecoms networks linking national administrations, and developing a compatible Community-wide integrated services digital network (ISDN), which should lead to clearer, faster, cheaper and more reliable telecommunications.

The Commission is also close to finishing consultations with industry and consumers on

how to improve the efficiency and reduce the cost of ordinary telephone calls in the Community. Mr Bangemann said yesterday he was opposed to national telecoms monopolies if they hampered the introduction of modern technology, but favoured the maintenance of an efficient public service.

However, the commissioner said it would be imprudent to use special Commission powers to challenge those national monopolies.

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Mood lifts in EC-US public procurement row

By David Dodwell, World Trade Editor, in Washington

A POSSIBLE solution to the dispute between the US and the European Community over telecommunications and other government procurement contracts was raised by negotiators yesterday based on "comparable, effective and lasting access" to each other's markets, and equal treatment to each other's exporters.

Negotiators agreed after two days of discussions in Washington that the EC could exempt US companies from rules which discriminate in favour of EC bidders for procurement contracts "if we have comparable access to the US market". They plan to meet again in Brussels on March 11. The clash over public procurement flared last month after the new US administration

Brittan appeals to Clinton administration not to complicate Uruguay Round

SIR LEON BRITTAN, the EC external trade commissioner, yesterday warned the US against cluttering the Uruguay Round of world trade talks with new issues and fresh conditions, writes Andrew Hill in Brussels. But the European Commission welcomed President Bill Clinton's call, in his State of the Union address on Wednesday night, for an expansion of world trade and a successful conclusion of the talks.

Speaking in Cheshire in Britain

last night, Sir Leon said Mr Clinton had given "a clear lead" to the final stage of talks, when he announced last week he would ask Congress to extend the administration's "fast-track" negotiating authority. Sir Leon met Mr Mickey Kantor, US trade representative, for the first time in Washington last week, and described him yesterday as "an open, agreeable, but tough negotiator". He said any extension of the Clinton administration's negotiating mandate

should be short and free of fresh conditions. "If new issues are now being suggested, they should not be the pretext for delaying or complicating the present Round," he said.

"The newly identified issues of today can readily be put on the agenda for discussion in the immediate aftermath of the present Round."

Sir Leon repeated that he was confident of a Gatt agreement, but warned that there was "a difficult

end-game ahead", and said negotiators should expect "a period of turbulence" before any deal was struck. "But getting there will require persistence, resolution and determination."

The commissioner said the US should resist the temptation "to seek protectionist short cuts to economic recovery", and he said bilateral difficulties in trade between the US and the EC - for example, on steel and public procurement - should not be tackled unilaterally.

In response to US arguments that large US private sector telecommunications operators such as AT&T, MCI-Sprint, GTE or the "baby Bells" should not be subject to procurement rules because they are not government run, Mr Keck said: "We don't care whether a company is private or not. What really counts is not ownership, but government regulation, and whether a company has special or exclusive rights."

"When you look at AT&T, you see they are operating under special privileges, under monopoly conditions. We need to look at their procurement behaviour because it is not what you would expect in a free market."

Officials say they have agreed a text from which to continue negotiations on telecommunications contracts.

Germany looks for business in India

By Shiraz Sidhwa in New Delhi

CHANCELLOR Helmut Kohl arrived in New Delhi yesterday on a four-day visit, primarily to strengthen economic ties between Germany and India, and to explore the business opportunities afforded by India's new economic reforms programme.

While in India, he and the 30 German businessmen accompanying him will visit the Indian Engineering Trade Fair. Germany was one of the first countries to send a business delegation to India when India opened up its economy to foreign investors last year.

Germany is India's largest EC trading partner, accounting for about 8 per cent of its total trade. Germany's exports to India totalled \$1.5bn (£1.04bn) and imports \$1.7bn (£1.19bn) in the first half of 1992, trade was virtually in balance at about \$800m each way.

Finished goods, like leather products, chemicals and pharmaceuticals, cotton and silk garments comprise some 85 per cent of India's exports to Germany; imports are mainly industrial machinery and fertilizer components.

India has received more than DM10bn in financial and technical assistance from (West) Germany since bilateral development co-operation began more than 30 years ago.

Mr Hans-Georg Wielek, German ambassador, said his country was looking towards Indian companies as potential partners in the machine tools, equipment and manufacturing sectors.

The fair, a biennial event, organised by the Confederation of Indian Industry, an autonomous association representing some 2,500 Indian companies in the public and private sectors, has generated business inquiries worth Rs17.18bn (\$405m) in the first three days, a record for the fair. The fair's success, especially in industrial engineering goods and machine tools, reflects India's changed business environment, say the organisers.

New China order for Ericsson

By Christopher Brown-Humes in Stockholm

ERICSSON, the Swedish telecommunications group, said yesterday it had won a \$150m (£104m) contract to expand a mobile telephone system in Guangdong province - the largest Chinese order for a cellular system, it claimed.

The order will more than double the capacity of the network operated by Guangdong Mobile Communications, enabling it to serve 240,000 extra subscribers. The contract calls for the delivery of radio channels, mobile switching centres, data bases and radio link equipment by the third quarter of this year.

Ericsson, the world's leading supplier of cellular telephone systems, already has a strong presence in China. Apart from being the sole supplier to Guangdong, it has recently won contracts to supply Beijing, Tianjin, Guangxi and Hebei. The new order means mobile phone systems have a capacity to serve around 500,000 Chinese subscribers.

Keating plays the grand trade policy card

Kevin Brown in Sydney looks at Labor's pre-election vision of an Australian role in a new integrated Asian Pacific market grouping

WHEN it comes to electioneering, few political leaders have a greater sense of the value of a dramatic gesture than Mr Paul Keating, the Labor prime minister of Australia.

Launching his party's trade policy for Australia's forthcoming federal election, Mr Keating unexpectedly proposed the creation of an integrated Asia Pacific market of 2bn people.

Such a market would account for half of global economic output and 40 per cent of world exports, making it by far the largest of the world's trade groupings.

In addition to Australia and New Zealand, it would include the six countries of the Association of South-East Asian Nations (Asean), the three members of the North American Free Trade Agreement (Nafta), Japan, South Korea, China, Hong Kong and Taiwan.

From Canberra's point of view, the Keating plan is a natural development of Apec, the Asia Pacific Economic Co-operation forum initiated by Australia and the US in 1989.

Apec, which includes all of Mr Keating's target countries except Mexico, has become the main focus of Australian trade promotion efforts, mainly

because it accounts for 70 per cent of Australian exports.

But Australian officials have become increasingly worried about the potential impact of a breakdown of the Uruguay Round talks in the General Agreement on Tariffs and Trade on intra-Apec trade.

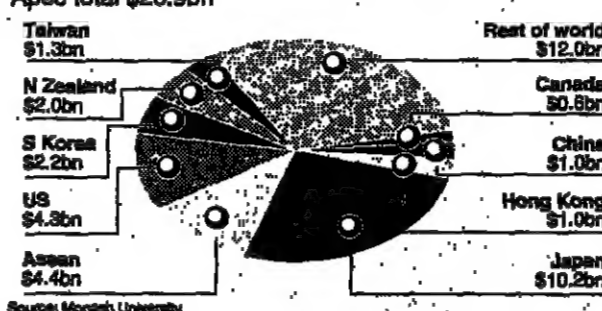
There is particular concern that the US might seek a series of bilateral trade deals offering preferential access to Nafta, which could be used to discriminate against Japan, Australia's biggest trading partner. Mr Keating, who has assured Tokyo of Australian support in such a dispute, warned the Clinton administration that it risked "accumulating resentment and resistance" if the benefits of such deals flowed mainly to the US.

The alternative, he said, was "an open economic association in the Asia Pacific region, in which its economies were by degrees integrated to create the world's most dynamic zone of production."

Mr Keating's proposal was intended to contrast Labor's enthusiasm for integration with the Asia Pacific region

Australian exports to Apec countries

1990 world total \$39.0bn
Apec total \$26.9bn



Source: Monash University

with the more conservative approach of the Liberal/National Party opposition, which puts more emphasis on traditional links with Europe and North America.

However, as Mr Keating acknowledged, there are obstacles to the development of a cohesive trading bloc based on the loosely knit Apec grouping. Professor Richard Snape, head of the economics department at Monash University, concluded in a report on Australia's trading options that the size and

diversity of Apec meant that negotiations on a comprehensive trade agreement would face the same problems as the Uruguay Round.

For example, the US, Canada, Japan and South Korea are unlikely to make further concessions on agricultural trade than they have already made within the Gatt framework.

In addition, Apec already includes three incompatible trading blocs - the Asean free trade area, Nafta and the

Closer Economic Relations (CER) agreement between Australia and New Zealand.

Professor Snape's report also concluded that successful regional trading blocs usually exhibit a high degree of geographical proximity, similar levels of per capita gross national product and cultural affinity.

Recognising these problems and differences, Mr Keating suggested that Apec should initially seek harmonisation of trading and technical standards, competition regulations and corporate law, business practice, investment rules, and professional qualifications.

Even this would be a substantial achievement in a region containing economies as divergent as communist China, the US and Japan. The Asean countries, for example, have found reducing protection difficult, and Australia and New Zealand have so far failed to harmonise company and taxation law.

Sensor Gareth Evans, the Australian foreign affairs and trade Minister, said yesterday that Apec was "a very significant

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THE CLINTON ECONOMIC PLAN

Presidential rhetoric and flair attract wide support and leave the Republicans floundering

A speech to have them rocking in the aisles

By Jurek Martin in Washington

RONALD REAGAN did not like it, Ross Perot thought it was "excellent" but a little short on detail, Jack Kemp, sitting in the middle, loved its "rhetoric and goals" but was sure it would not work and Paul Tsongas happily confessed that "the person giving it is not the man I campaigned against." Some of Washington's most conspicuous pundits, ever grudging in their praise, conceded it served a purpose.

According to two overnight polls, three quarters of those surveyed approved its proposals, six out of ten "enthusiastically". One local TV station, camped in an old people's home, reported universal admiration and a willingness to contribute. A Washington Post editorial judged it "well balanced and sturdy".

The joint session of Congress and assorted dignitaries - with Mr Alan Greenspan, chairman of the Federal Reserve, accorded the singular seat of honour between Mrs Hillary Rodham Clinton and Mrs Tipper Gore - interrupted it with applause no fewer than 75 times, probably a modern record. The fact that it featured the first Democrat to give a state of the union address in 13 years is only partial explanation.

It is hard to recall Mr Bill Clinton writing or delivering a better speech. He looked presidential, spoke well and pulled off the formidable trick of simultaneously engaging his audiences in Congress and watching on television.

There were several high spots, starting with the rhetorical call to arms. "If we do not act now," he proclaimed, "you will not recognise this country ten years from now."

And again: "The test of our programme cannot simply be: what's in it for me? The question must be: what's in it for us?" This probably explained why Mr Reagan, writing in the New York Times in advance of the speech, dismissed it as a repeat of "the failed liberal policies of the past".

Mr Clinton also cleverly engaged the Republican party, first by declining to blame it for anything and second by challenging it to improve its proposals. "I did not seek this office to place blame. I came here to accept responsibility, and I want you to accept responsibility with me. If we do right by this country, I do not care who gets the credit for it."

Anticipating the predictable "tax and spend" Republican riposte delivered later by Congressman Bob Michel, the House minority leader, the President had them

rocking in the aisles when he declared "all those who say we should cut more should be as specific as I have been".

When Republicans guffawed at his assertion that the Congressional Budget Office figures were "independent", Mr Clinton was ready: "Well, you can laugh, my fellow Republicans, but I'll point out that the CBO was normally more conservative in what was going to happen and closer to right than previous presidents have been." The aisles rocked again.

The Republicans, therefore, have been served notice to come up with some alternatives; no easy process for a party deeply riven by its own ideological battles. Pretty much all Mr Michel could say, apart from defending the economic policies of Mr Reagan and Mr George Bush, was that his party would be listening to the voices of the people.

But Mr Perot, who can reasonably lay claim to have his finger on the nation's pulse and who was personally briefed in advance by Mr Clinton, said: "I expect the American people will react very favourably" and would not object to paying higher taxes if they were fair. The president could have expected no more for the moment.

Mr Perot's only apocalyptic admonition was to Congress, which also suits the president well. Noting that "the president does not pass laws," Mr Perot said that "giving Congress money is like giving your friend who is trying to stop drinking a liquor store".

A lot of the drinking in Washington is, of course, done by lobbyists, whom Mr Clinton duly threatened by calling for a bill ending lobbying tax deductions and enforcing stricter registration.

Undeterred, however, some were quick to throw down their own gauntlets, with their congressional allies voicing support. Thus both Mr John Studdard, representing government workers, and Congressman Steny Hoyer, the Democrat from Maryland who heads the subcommittee handling the federal workforce, said Mr Clinton's proposal to freeze federal pay was "unacceptable" and would be dropped. But such storm clouds could not take much away from Mr Clinton on a night when he was firing on all cylinders. Last night, far removed from the grandeur of the chamber of the House, he was bedding down in the extreme modesty of the Comfort Inn in Chillicothe, Ohio, which will not have a presidential suite and where rooms normally go for around \$30 (£21) a night. This symbolism is just as important.

HEALTHCARE

Soaring costs that have to be tamed

By Michael Prowse in Washington

PRESIDENT Bill Clinton's economic plan was like a book with a missing chapter.

All efforts to revive the economy would fail, Mr Clinton warned in the most moving passage of his address to Congress, if the country failed to take bold steps to reform the healthcare system.

He said the nation already spent 20 per cent more of national income of healthcare than any other industrial country, yet was unique in failing to provide a basic package of benefits to all citizens. On present trends, healthcare would absorb 20 per cent of the economy by the year 2000.

The figures released this week showed that the planned halving of the budget deficit as a percentage of gross domestic product by fiscal 1997 would represent only a temporary fiscal victory if healthcare is not reformed. Double-digit increases in spending on federal health programmes would result in steep rises in the deficit by the end of the decade.

But while identifying the nation's most pressing economic problem, Mr Clinton is not yet in a position to give a clear indication of the type of solution the administration will recommend. Wednesday's plan imposed some relatively minor new curbs on payments to doctors and hospitals under the Medicare and Medicaid programmes for the elderly and poor and increased funding for a variety of preventive health programmes such as children's immunisations.

But a full-scale restructuring of healthcare awaits the findings of the presidential task force headed by Mrs Hillary Rodham Clinton. It is expected to make recommendations by May.

The centrepiece of the reform is expected to be some version of system known as "managed competition". Mr Clinton has indicated that he wants people to be grouped into large healthcare purchasing co-operatives that could negotiate good quality and cost-effective care from competing providers in the private sector.

At issue is the degree to which such institutions would be subject to direct regulations. The administration is examining the feasibility of various more direct controls on the price and volume of services that hospitals and doctors can provide. One option would be to extend regulations now applying to federal schemes to the private sector.

But any changes are likely to provoke strong opposition, if only because cost controls in effect mean controls on the incomes of physicians, hospitals, insurance companies and drug companies, all of which are well represented by Washington lobbyists.

In the short run, there is no prospect of cost controls saving money. Indeed, fears are growing that the planned extension of health care benefits to the 37m Americans without insurance cannot be financed without a new wave of tax increases of between \$30bn and \$90bn (£21bn and £63bn). Companies fear that directly or indirectly they will be asked to pick up a large chunk of the costs of extending insurance.

But until Mr Clinton writes the healthcare chapter of his reform, his economic package remains an unfinished work, lacking full credibility.



Fired up: President Bill Clinton addresses the joint session of Congress, watched by Vice-President Al Gore. "If we do not act now, you will not recognise this country 10 years from now," he warned

Deficit reduction package puzzles analysts

By George Graham

PRESIDENT Bill Clinton's deficit reduction package includes substantial savings on defence spending over the next five years, but military analysts are still puzzled by the details of the defence budget plan.

Mr Clinton proposes a steady decline in defence budget authority from \$274.3bn in the current fiscal year to \$263.7bn in 1994 and \$248.4bn in 1997, rising again to \$254.2bn in 1998.

Over the five years from 1994 to 1998, this plan would cut a cumulative total of \$127bn from the defence budget projections of former President George Bush.

But the Bush spending plan, according to a report by the General Accounting Office, does not recognise additional expenses of over \$35bn in potential weapons systems overruns, \$12bn resulting from Congress delaying programme cancellations, \$5.4bn for industrial conversion and \$24.5bn for

DEFENCE SPENDING

cleaning up hazardous waste on defence property. It also assumes \$83bn in management savings, most of which the GAO says may not be achieved.

With little time to produce a complete budget proposal, Mr Les Aspin, the new secretary of defence, appears to have done exactly what he used to complain about when he was chair-

man of the House of Representatives Armed Services Committee. Instead of building a US defence plan from the bottom up, he has simply cut from the existing pattern, in effect asking each service to come up with a specified amount of savings, rather than radically reviewing each branch's size and roles.

This approach, which

remains to be fleshed out with details of the specific weapons programmes that are to be cut, seems likely to reduce the US armed forces to around 1.4m people, 200,000 less than projected under the Bush plan.

Some outside groups that have proposed a more fundamental reassessment of the structure of the US armed forces believe this year's budget is a timid first step.

"This is the first chance of a new administration coming in after the end of the Cold War

to make real changes, and they are not even attempting it; they are tinkering around the edges," said Mr Marcus Corbin, a budget analyst at the Centre for Defence Information, a defence policy group founded by retired military officers.

With more time, Mr Aspin may prepare a more root and branch review for next year's budget, but some wonder whether the administration will by then have lost momentum and missed the chance for substantial defence revisions.

PRAISE FROM JAPAN AND EUROPE

Benefits seen for revival of global economy

By Charles Leadbeater in Tokyo and Lionel Barber in Brussels

JAPANESE and European business and political leaders yesterday gave a warm welcome to President Bill Clinton's plans to cut the US federal budget deficit.

Mr Yohei Kono, Japanese cabinet secretary and acting foreign minister, said: "I sincerely hope the US will renew itself. This is the first US president to ask the American people to share the pain."

Mr Henning Christophersen, EC economics commissioner, called the package "encouraging and full of promise" - the most serious effort in years to tackle the federal deficit.

Mr Martin Wassel, economics director of the International Chamber of Commerce in Paris, said: "Clearly America had to tackle these deficits. There may be a weakening in growth prospects in the short-term but in the longer term it will be healthy for the US and the world economy."

The European Commission yesterday also set aside worries that the package could postpone a US-led world economic recovery.

Mr Christophersen singled out for praise Mr Clinton's short-term stimulus aimed at creating 500,000 jobs by 1994, through a temporary investment tax credit and accelerated public spending on housing, infrastructure and education. These measures were

similar to the EC's growth package combining incentives for public and private investment, he said.

Despite the initial welcome, some EC officials expressed disappointment that Mr Clinton had failed to use his State of the Union address to endorse the Commission's call for an early summit of the Group of Seven industrialised nations to promote world growth.

Sir Leon Brittan, EC External Economic Relations Commissioner, welcomed Mr Clinton's commitment to successful completion of the Uruguay Round, which he said he had expected after his talks with US officials in Washington last week. But in a speech to a local Conservative party

meeting in England, copies of which were issued to the press, Sir Leon said a period of turbulence lay ahead before a Gatt deal was clinched.

In spite of the plan's welcome in Japan, it is bound to add to pressure on the country to open up its markets more and cut its ballooning trade surplus with the US. Tokyo has been pressing the US to cut the federal deficit for the past four years through the long-running Structural Impediments Initiative talks, insisting this was essential to cut the Japanese trade surplus with the US.

Mr Clinton's promise to cut the deficit will also add pressure on Japan to bring forward a special package of measures to stimulate its depressed

economy and increase demand for imports.

A senior official at the Ministry of International Trade and Industry said the combination of deficit reduction and subsidies for industrial research and development would help boost the competitiveness of US industry.

Business leaders acknowledged Japan would soon face increasing pressure to respond to the Clinton plan. Mr Gaiishi Hiraiwa, head of the Kaidanren, the largest employers' association, said Japan should contribute to the stable growth of the world economy through expanding domestic demand and opening its markets.

CONGRESS

Administration presses for a minimum of amendments

By George Graham in Washington

PRESIDENT Bill Clinton has called on Congress to deal with his economic programme as a complete package, instead of picking apart each component.

"I ask you all to begin by resisting the temptation to focus only on a particular spending cut you don't like or some particular investment that wasn't made," Mr Clinton implored in his speech to both houses of Congress on Wednesday night. But the legislative realities could mean that this will be difficult to achieve.

The current strategy is to pass a package of immediate spending measures, intended to boost the economy in the short term, in the form of a supplemental appropriations bill. Congressional leaders hope they will be able to get this through House and Senate

committees in four to five weeks.

All of the tax measures proposed by Mr Clinton would then be rolled together into a budget proposal, to be laid before Congress by the administration on March 23, and pushed through in the form of a budget reconciliation bill.

Some members of congress had favoured attaching at least some of the proposals to a bill to raise the legal limit on the federal debt - which must pass sometime before the end of March, when the current \$1,145bn (£2,671bn) ceiling will be breached.

But this bill, as well as legislation to extend benefits for those who have been unemployed for a long time, is expected to be passed "clean", without extraneous amendments.

President Clinton also called in his speech on Wednesday for

a number of other legislative items, including gun control, tougher measures against crime, campaign finance reform, curbs on lobbyists and easier voting registration.

Democratic leaders hope they can begin hearings on the reconciliation bill at the end of March and start to mark it up in detail at the end of April. The goal is to have it passed and sent to President Clinton for signature before Congress goes on holiday in August - though many congressional staffers believe they will be lucky to complete the bill before the autumn.

Congressman Richard Gephardt, the leader of the House Democratic majority, is understood to want to add in this bill the comprehensive reform of the health care system that Mr Clinton has promised to produce by May. Many others in Congress believe a

health-care reform package will, realistically, not be completed until next year.

One fear for the package is that members of congress could amend it to death, adding their favourite tax provisions and exemptions.

The House Ways and Means Committee, which has primary jurisdiction over tax legislation, is expected to remain relatively disciplined. Members who want to propose amendments that will cost money must simultaneously propose offsetting spending cuts to pay for them.

Once it gets to the Senate, the legislation could become more difficult, even though budget rules, which are tighter than usual senate rules, allow only germane amendments.

"There are a zillion tax proposals sitting over there, many of which are plain unachievable," a House staffer said.

QUOTES OF THE DAY

The latest joke from New York is that the new definition of the wealthy is anyone who isn't homeless.

Mr Mike Cowan, chief administrative officer at Merrill Lynch in London

I'm a Republican, but this represents an honest attempt to deal with the underlying problems of the US. I'm going to be a loser and so are most of the other people I know, but I live pretty well.

Mr Edward Streator, president of the American Chamber of Commerce in London

I'm not all that upset about the increase. Living in the UK for a year and a half I realise that we Americans have had a very low rate of tax in the past.

Mr Bruce Lassman, head of the US tax desk at accountants Ernst & Young in London

I'm a supporter of Clinton and I always felt tax increases were necessary. For 12 years we've been getting away from the social problems, the homelessness... state health care has to be improved, the deficit has to be attacked and I think Americans will accept that.

Mr Jeff Burke, who works for a US investment bank in London

I'm concerned about tax, but you have to strike a balance between taxes and spending. In the past 12 years the administration has done nothing to help the distribution of wealth. These are bold steps.

Mr Joseph V. Misset, who moved to London to trade crude oil

It will affect me deeply. I'm shattered. We're already paying high taxes - I'm paying at least 31 per cent.

Marianne, a currency trader in New York

US BUSINESS

Pain of new taxes mixed with deficit pleasures

By Alan Friedman in New York, Laurie Morse in Chicago and Louise Kehoe in San Francisco

US BUSINESS leaders appeared divided yesterday in their initial assessment of the Clinton economic package. Many expressed concern that it could damp the fragile recovery but others voiced support for its goals of creating jobs and reducing the country's budget deficit.

Among the new financial burdens for business are an increase in the top corporate tax from 34 to 36 per cent, a slashing from 50 to 30 per cent of the deductions that may be taken for meals and entertainment, and a cancelling of deductions for executive pay of more than \$1m for club dues and for lobbying expenses. Tax credits for the purchase of new equipment were also part of the proposal.

The three main carmakers in Detroit offered conditional support for Mr Clinton's proposals. Mr Robert Eaton, chairman of Chrysler, called it "a tough package" but said this was needed in view of the size of the deficit.

Mr Harold Poling, chairman of Ford, noted that no one liked tax increases because they could have a serious effect on economic recovery. But he thought Americans might be willing to make the sacrifice for a period of time. General Motors stressed that the package should be analysed in its entirety rather than in terms of how it affected individuals.

The computer and electronics sector was also divided. The most prominent support from any US business leader came from Mr John Sculley, chairman of Apple Computer and a self-proclaimed Republican voter who sat next to Mr Hillary Clinton during the president's speech and applauded before the television cameras.

Mr George Fisher, chairman of Motorola, said that while he was "quite willing to pay more taxes" on a personal level, the increases in corporate taxation were "very shortsighted".

Mr Craig Barrett, chief operating officer at Intel, hoped the higher corporate taxes would not wipe out the benefits of investment tax credits.

Mr Bryan Little, director of government relations for the US Business and Industrial Council, said "the tax increases Clinton proposes will stifle this economy and serve only to shut down small businesses and put people out of work".

The American Farm Bureau applauded the president for cutting the deficit, but said US farmers and ranchers were disappointed that the package relied so heavily on tax increases rather than spending cuts.

In Chicago, Mr Patrick Arbour, chairman of the Board of Trade, endorsed the energy tax rises, but said he was concerned at new charges on futures transactions and would lobby against it.

The view of small business was summed up by Mr Jackson Farris, chief executive of the National Federation of Independent Business. He said the package would do more harm than good to small businesses because of taxes, paperwork and regulatory burdens that could stifle the economic recovery.

As Clinton administration officials fanned out across the US to help sell the package, Mr Robert Rubin, the former co-chairman of Goldman Sachs who is chairman of the National Economic Council, went to Wall Street yesterday for a lunch meeting with chief executives from 20 top banking groups.

Mr James Harmon, chairman of Wertheim Schroder and one of Mr Rubin's guests, termed the package "bold and courageous" and predicted that it would eventually be approved by Congress.

Mr Harmon called the increase in corporate tax rates "not so serious" and added he did not think the overall package would dampen the US recovery.

Support for Mr Clinton's proposals also came from several trade union leaders. Mr John Sweeney, president of the AFL-CIO union that represents one million workers in the service sector, praised Mr Clinton for coming forward "with an economic plan that puts working people and their futures first and sets the priorities of this nation straight again".

US TREASURY BUOYED

Officials feel load off their shoulders

By Michael Prowse in Washington

THE Clinton economic package would enable the US to hold its head up high in international negotiations and promote its agenda of global growth more effectively, a Treasury official claimed with evident satisfaction.

He said the package, which included a planned halving of the budget deficit as a percentage of gross domestic product over the next four years, was a "real response" to calls for tough US fiscal action from trading partners. It would set the tone for better international economic relations.

Foreign governments should note that the Clinton strategy was "consciously internationalist". The goal was to improve US economic performance not by erecting protective walls to foreign products or capital, but by domestic reforms that

raised US productivity.

The plan offered a real hope of lower long-term US bond yields and faster growth of output.

In recent years, US economic diplomacy has been hampered by its failure to take the tough budgetary medicine advocated by its trading partners and by international bodies such as the OECD and the IMF.

Since being nominated as Treasury secretary, Mr Lloyd Bentsen has repeatedly said he would try to revitalise economic co-operation between the Group of Seven industrial countries. He is attending a G7 meeting of finance ministers and central bankers in London on February 27.

He seems likely to press European governments to lower interest rates towards the low levels prevailing in the US and Japan as part of a co-ordinated strategy to promote global growth.

Energy industry warns of heavy cost

By Alan Friedman in New York, Laurie Morse in Chicago and Bernard Gray in London

THE US energy industry yesterday responded to the economic package with a blast of harsh rhetoric, warning that the proposed levy on petrol, heating oil, gas and coal could damage the economic recovery and cause a loss of jobs.

President Clinton's newly announced energy tax, based on the heat content of fuels, is aimed at avoiding a politically controversial tax on petrol and spreading the higher energy

costs between industry and family homes. Instead, the tax would be levied on the thermal content of fuels and, according to US Treasury officials, is expected to raise net revenues estimated at \$22bn a year once it is fully in force.

The tax would be imposed at a rate of 26.7 cents per million British thermal units on coal, nuclear energy and gas, and at a much steeper rate of 59.9 cents per million BTUs on oil.

The administration plans to phase in the tax in three stages, charging one third of the full rate from July 1, 1994, two thirds a year later, and the

LEVY ON FUEL

full rate from July 1, 1996.

When fully phased in, the tax is expected to add 7.5 cents to the price of a gallon of petrol, 26.25 cents to a thousand cubic feet of natural gas, and \$2.35 to the monthly electricity bill of an average household.

Mr Charles DiBona, president of the American Petroleum Institute (API), claimed, however, that it "really amounts to a thinly disguised gasoline [petrol] tax, one that would seriously harm eco-

nomic recovery and be a job-killer on a mammoth scale".

Mr DiBona, in effect the energy sector's top Washington lobbyist, argued that the tax could reduce gross domestic product by \$170bn over five years and cost 800,000 jobs.

The API said it did not accept administration estimates of the cost of the new tax "because we do not believe the additional costs can uniformly be passed through on all petroleum products".

The tax was also attacked as burdensome to middle class families. Jobs that might be endangered were in the Midwest, South, Southwest and Rocky Mountain states because of the energy-intensive industrial and agricultural operations there.

In Oklahoma, part of the energy sector's heartland, Mr Larry Nichols, chairman of independent oil and gas producer Devon Energy, reflected the API's views. He thought the proposal was biased against companies like his because a number of the costs could not necessarily

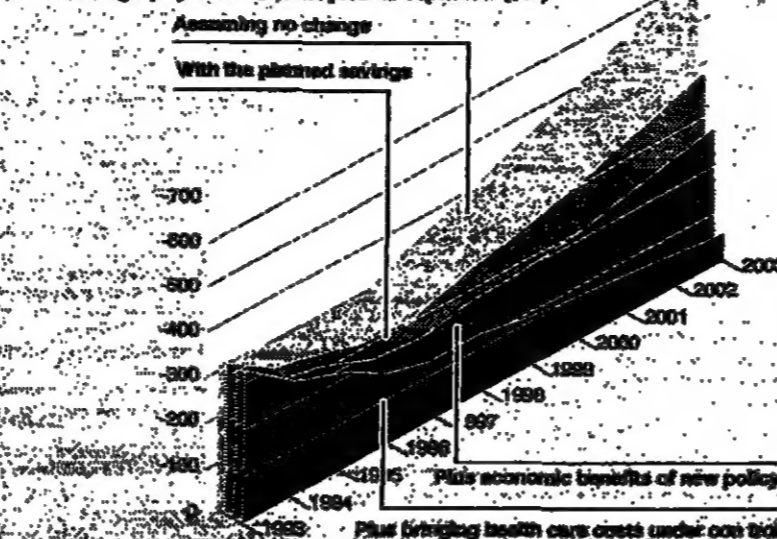
be passed on to consumers. The US coal industry reacted coolly. But Mr Steve Anderson of Westmoreland Coal said "a carbon tax would have been much worse for us", a view echoed by Mr John Grasser of the National Coal Association, who said: "Coal prices will rise by about 25 per cent at the mine. Under a carbon tax it might have doubled."

He was also sceptical that coal use would fall as a result of the tax. "Eighty per cent of our coal goes to the electrical utilities, and the only competitor is gas which will be hit with exactly the same tax."

America Inc.: Clinton takes the business in hand

Attacking the deficit

Federal budget projections for fiscal years to September (\$bn)



Revenue projections

Federal income tax (current law)

Federal income tax (new law)

Federal income tax (new Law)

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The 'fair burden' on taxpayers (some examples)

The tycoon earning \$2.5m per annum. He has three failed marriages behind him. He pays alimony totaling \$500,000 per annum. He pays mortgage interest of \$50,000 per annum.

Existing tax law:

Salary etc 2,500,000

Less alimony 500,000

Mortgage interest (after tax relief) 10,000

Personal exemption 0

Taxable income 1,990,000

Tax 532,822

FICA 5,522

Total taxes 538,344

Proposed law:

Taxable income 1,990,000

Tax (single) 630,212

FICA 5,522

Total taxes 635,734

The middle class man with a wife and two children and a mortgage. He earns \$200,000 per annum and pays \$20,000 mortgage interest.

Existing tax law:

Salary etc 200,000

Mortgage interest (after tax relief) 17,283

Personal exemption 0

Taxable income 182,717

Tax 47,140

FICA 5,522

Total taxes 52,662

Proposed law:

Taxable income 182,717

Tax 58,948

FICA 5,522

Total taxes 64,470

The family with three children on an income of \$25,000.

Existing tax law:

NEWS: INTERNATIONAL

UN general orders Bosnia aid delivery

By Laura Silber in Belgrade

GENERAL Philippe Morillon, French head of the United Nations protection force for aid convoys in Bosnia, yesterday ordered his troops to go ahead and deliver emergency supplies to a besieged Muslim enclave in eastern Bosnia - regardless of suspension of relief operations by the UN High Commissioner for Refugees.

The UNHCR in Belgrade welcomed the efforts of Gen Morillon. "If he gets through it will be good news for the people of Gorazde," said Ms Judith Kumin, head of the Belgrade UNHCR office.

Diplomats said the independent initiative of Gen Morillon reflected possible splits between the UNHCR and some of the national contingents of the UN peacekeeping forces. One diplomat described Gen Morillon as a "loose cannon".

UN forces on the ground in Sarajevo were reportedly stunned by the decision on

Wednesday of Mrs Sadako Ogata, the UN High Commissioner for Refugees, to halt relief operations in all Serb-held parts of Bosnia and air and land convoys to Sarajevo.

Serb commanders yesterday pledged to allow a convoy to travel to Gorazde today after Gen Morillon met Bosnian Serb commanders in Rogatica, about 30 miles north of Gorazde.

Gen Morillon promised Serbs that the road to Gorazde would be repaired, according to the UNHCR Belgrade office.

Eight UNHCR convoys over the past four months have reached the mainly Muslim Gorazde, in a Serb stranglehold since war erupted in April.

UNHCR officials yesterday said warehouses in Sarajevo, which are at capacity, would be unlocked in an attempt to provide food for some 380,000 people trapped in the Bosnian capital. The Bosnian government last week said Sarajevo would refuse further aid ship-

ments until the UNHCR succeeded in reaching some 100,000 Muslims besieged in eastern Bosnia, some without outside relief since the war began.

Bosnian Serb commanders have repeatedly refused to allow the passage of UN humanitarian relief for Muslim enclaves.

Serb commanders for four days this week stopped another convoy bound for Ceraska, eastern Bosnia, because of fighting in the region. The convoy yesterday returned to Belgrade following the suspension of UN relief operations.

Bosnian Serb leader Radovan Karadzic said the UNHCR decision to suspend aid was regrettable and blamed Muslims for blocking the convoys.

Russia has agreed that Nato could enforce any new peace agreement in Bosnia in what could be an unprecedented joint operation between former Cold War enemies, Reuters reports from Brussels.

Japan may be permanent Security Council member

By Charles Leadbeater in Tokyo

JAPAN may become a permanent member of the United Nations Security Council after a wide-ranging review of the council's structure, Mr Boutros Boutros Ghali, UN secretary-general, said yesterday.

"There is a lot of possibility of Japan having a permanent seat, but it is a decision of the member states," Mr Boutros Ghali said at the end of a four-day visit to Japan.

The country's case for a permanent seat was also backed by Chancellor Helmut Kohl of Germany, who begins a visit to Tokyo in a week's time.

Mr Kohl told a Japanese television interviewer that it was natural that Japan should become a permanent member, following changes to the make-up of the Council, to reflect the rise of Asian economic power.

Germany itself is seeking a permanent seat on the Council.

Mr Boutros Ghali's comments are likely to rekindle the debate over reform of the Security Council, which has 15 members and five permanent members.

The UN is in the midst of asking its 180 members their

views on the subject.

Any reform would have to be supported by all five permanent members, at least nine of the overall membership, and a two-thirds vote of the UN General Assembly.

It could, however, be subject to a veto, perhaps from Britain or France, neither of which is enthusiastic about Japanese permanent membership.

It might also open up a flood of applicants from other states claiming similar status.

Mr Warren Christopher, US secretary of state, recently supported reform of the Council through agreement among its members, which would allow Japan a permanent seat.

His remarks provoked a sharp response from the British government, a permanent member, which is concerned it may lose its seat under a restructuring.

Mr Boutros Ghali seemed intent on wooing Japan, partly because a greater Japanese involvement in the UN might ease some of the organisation's financial pressures.

The secretary-general said he would welcome Japanese peacekeepers as part of the UN's operations in Mozambique, as a step towards Japan deepening its involvement

with the organisation.

Japan's involvement in peacekeeping activities was not, however, a precondition for it gaining a permanent Security Council seat.

Japan's first peacekeeping unit took up its post in Cambodia last September, after years of agonising over whether such a role was appropriate under the pacifist constitution. It is barred from combat zones.

"Those with more economic and political power have more responsibility than others," the secretary-general added. "Important countries have important responsibilities. We need more participation from major countries. Japan is a great power and we need its participation."

The UN's credibility would be damaged if it was seen to be too much influenced by a single power such as the US. Japan should become more involved in the UN's activities to reinforce its international credibility.

"If the United Nations is under the influence of one power, this is because that country is very powerful and because other countries are not paying enough attention to the UN."

Mitsubishi Heavy in job cuts

By Michio Nakamoto in Tokyo

MITSUBISHI Heavy Industries yesterday became the latest Japanese company to announce a big cut in its workforce in response to the worsening Japanese economy.

The company, Japan's largest heavy machinery manufacturer, said it would reduce the number of employees at its Kishima plant in Hiroshima by about 10 per cent, or close to 400 workers, to meet an equivalent fall in demand for products made at the plant.

Last autumn, the company sent a number of employees working at its machine-tool plants temporarily to Mitsubishi Motors, a fellow-member of the group.

Mitsubishi Heavy said it aims to curtail its Kishima workforce over two years through natural wastage, reduction in graduate intake, and by transferring staff to affiliated companies.

The move highlights the spreading impact of the slowdown in Japan's economy on the nation's workforce.

The prolonged downturn has not yet led to huge redundancies, but Japanese companies have been restructuring their workforces by encouraging older employees to retire early, transferring staff to affiliated companies and restricting graduate intake.

A phone hotline for employees sponsored by a group of lawyers specialising in labour relations has received nearly

500 calls, many of them from white-collar workers.

Japanese newspapers report that a majority of the calls to the hotline were from manager-level employees facing pressure to take early retirement or redundancy.

The social stigma still attached to corporations which resort to drastic redundancies has led most companies to stress that the decision to leave is entirely up to the individual.

IBM Japan, for example, which launched a second career programme for people aged 50 or older, said it had no target for staff reductions, although 3,000 employees would be eligible for the financial support offered under the programme.

Kuwaiti MPs open a magic cave

National assembly flexes its muscles over foreign investments, writes Mark Nicholson

FOR the first time in Kuwait's history, a small group of elected representatives will examine the state's books.

Under a law formally promulgated in Kuwait last week, all state-owned companies and investment organisations, must now pass their accounts to the auditor general. He must then pass them to a committee of Kuwaiti MPs.

The law, which will also toughen penalties for misuse of public funds, is likened by its drafter, Mr Hamad al-Jouan, chairman of the National Assembly's legislative committee, to the secret work with which Ali Baba opened the magic cave. "With this law we have invented our secret word for that cave to open."

The cave, of course, contains Kuwait's rich - if these days diminished and scandal-tarnished - trove of overseas investments, most of which are managed by the London-based Kuwait Investment Office. "Since the earliest days of democracy in Kuwait, people have been asking what KIO was doing," says Mr al-Jouan. "But parliament has never had the strength to make such a law a reality."

That changed last October,

when Kuwait's 84,000 eligible voters returned what many of the 50 elected MPs consider to be the Gulf state's most powerful National Assembly ever - and certainly the most powerful assembly in the Gulf. In three-and-a-half months, the assembly has mandated parliamentary scrutiny of the state's accounts, and embarked on an unsparring examination of what went wrong in the days leading up to the Iraqi invasion in August 1990. Next it wants a decisive say in determining economic policies.

In a country which has seen almost as many suspended parliaments as sitting assemblies since the 1962 constitution came into force, MPs finally appear to have won a measure of real governing power.

This is not a development which will bring hails of joy in neighbouring capitals, where vaulted steps towards wider political participation more closely resemble a reluctant shuffle.

Nor is it entirely to the liking of the ruling al-Sabah family. However, since their return to liberated Kuwait in 1991, they have had little choice but to accommodate a profoundly changed public mood.

In part, this reflects anger at

the way the al-Sabah handled the crisis before the invasion, and its indecision afterwards. However, increasingly, it reflects growing suspicion that al-Sabah hands have not been the safest for guaranteeing the security of Kuwait's endowment to its future generations: being its foreign investment bounty.

The emergence since the end of the Gulf war of a stream of embarrassing revelations

'Since the first days of democracy, people have been asking about KIO'

about Kuwait's overseas investments, which topped \$100bn (\$98bn) before the Gulf war, not only helped sweep an opposition majority into the National Assembly, but gave the new MPs a considerable lever over the ruling family.

It already appears that some members of the al-Sabah family may face prosecution for their part in the \$4bn losses of Grupo Torras, KIO's Spanish holding company.

Meanwhile, Kuwait's public prosecutor is helping to pre-

pare a criminal law suit against former KIO executives in London.

"This affair runs very deep," says one western diplomat.

The government has said it will do its utmost to uncover and punish all wrongdoing at KIO - whatever the family names of anyone found guilty. It has also agreed to allow the assembly freedom to conduct its own investigations.

But if the al-Sabah have agreed to cede some of their governing power to the National Assembly, the parliament in its turn appears to have come to an understanding with the "political leadership" in the family.

In the words of one eminent MP: "We're saying give us more power to supervise our wealth and our future, and in return, the government can look after the investigation and punishment of its own."

This, in essence, appears to be the deal being cut between Kuwait's assertive new parliament and its ruling family.

"The National Assembly understands our ruling family very well," says Mr al-Shatte. "It also remembers the suspensions of previous parliaments, and we have decided not to push affairs to a confronta-



The emir, Sheikh Jaber, has come to an understanding

tion." But he adds something of a warning. "We will also not accept mistakes by important people which could be considered crimes."

Kuwait lives in two unstable regions to wish to damage entirely the credibility of its rulers. As a local diplomat says: "Whatever internal conflicts there may be here, there is unity towards the outside world. And there has to be. Kuwaitis concede damage from row. See International Capital Markets Page

ANC backs away from conflict over plan

By Patti Weidmair in Johannesburg

THE African National Congress yesterday backed away from confrontation with the South African government over a proposed plan for multi-racial power sharing.

The organisation's policy-making national executive committee yesterday decided to endorse the plan, which calls for a multi-party interim government to rule until the end of the century, reversing an earlier decision to refer the deal back to its membership for approval.

Mr Cyril Ramaphosa, the ANC Secretary General, said the decision had been unanimous. However, as he spoke in Johannesburg, Mr Chris Hani, a prominent ANC leader and general secretary of the South African Communist Party, contradicted him in a speech in Cape Town, saying the ANC would share power with the National Party in a "government of national unity" only for about nine months - the time it would take to write a new constitution - and not for the five years announced by Mr Ramaphosa.

Mr Ramaphosa's success at pushing the deal through the national executive could give a boost to multi-party negotiations, with the first round of talks due to take place next week. However, there are many critical issues which remain unresolved in the outline agreement due to be debated in the talks, including whether power-sharing in the interim government should be voluntary or compulsory.

Another area of dispute will be the cabinet mechanism for decision-making. Mr Ramaphosa insists that the majority party will dominate cabinet except in certain limited cases where a two-thirds majority will be required.

HK airport project chief replaced

HONG KONG'S business community was last night taken by surprise when Mr Richard Allen, the man who has overseen the construction of Hong Kong's new airport for the past two years, was replaced as chief executive of the Provisional Airport Authority (PAA). Simon Holberton writes from Hong Kong.

The PAA said that Mr Allen would be succeeded as chief executive today by Mr Hank Townsend, a senior executive of Bechtel Corporation. Mr Townsend was until recently an adviser to the Hong Kong government on its HK\$175bn (\$16bn) airport and related infrastructure projects.

After a meeting of the board of the PAA, the authority released a short statement saying Mr Allen was leaving by mutual agreement.

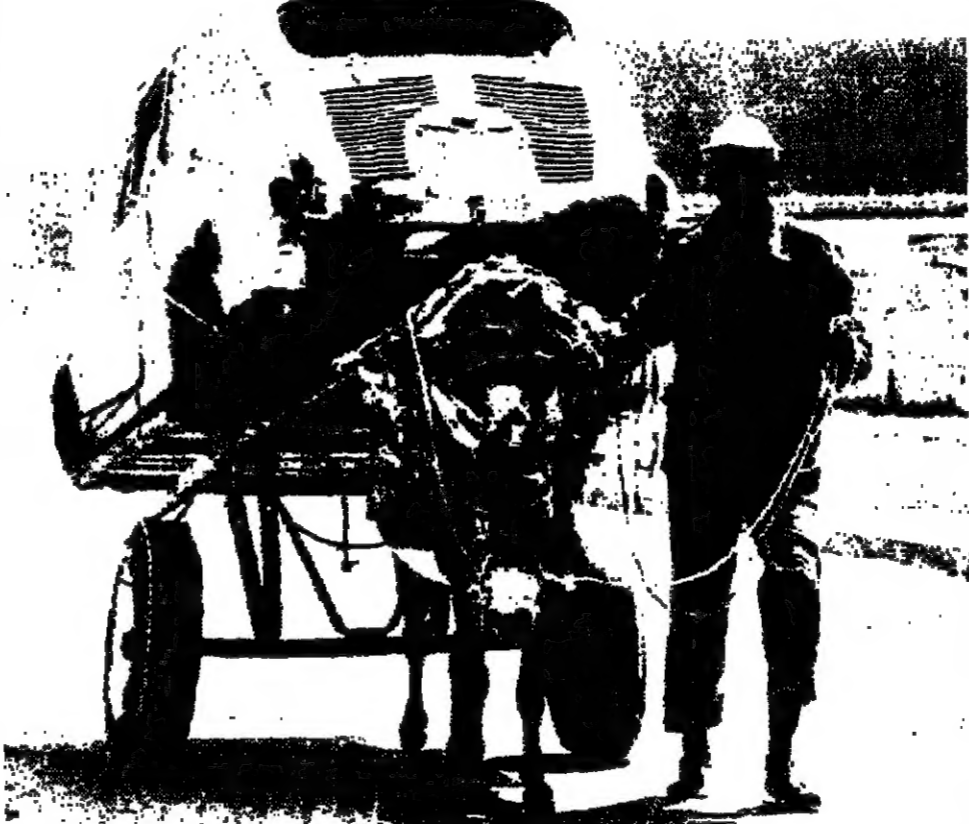
Crowded ferry sinks off Haiti

A ferry packed with Haitians bringing food and animals to sell in the markets of the capital sank in a storm and hundreds of people were feared dead, officials and witnesses said yesterday. Reuters reports from Port au Prince.

One survivor said there were about 820 people on the boat, but other reports put the total as high as 2,000.

Palestinians shot dead

Israeli troops shot dead four Palestinians in 24 hours in renewed clashes, providing a bloody backdrop for the first Middle East tour by Mr Warren Christopher, the US secretary of state, Reuters reports from Jerusalem.



A Somali man transports an old car by donkey cart through the streets of Mogadishu yesterday. Virtually every vehicle on the city streets is a patchwork of reused parts due to lack of spare parts

Nigeria reforms challenged

By a Correspondent in Abuja

NIGERIA'S relaunched reform programme faced its first big challenge yesterday, as the naira fell sharply against the dollar and state governments began conceding demands for 45 per cent pay rises.

The government promised in January to trim spending and cut the budget deficit, reduce inflation and curb money supply in an effort to put the economy on a stable footing before the planned handover to civilian rule in August.

At yesterday's Central Bank of Nigeria (CBN) foreign exchange auction, the dollar sold for 24.99 naira, compared with 20.56 naira at the CBN's last sale on January 19. Bankers blamed the decline on high inflation and a continuing

shortage of foreign exchange. Fewer than 18 of the 80 banks that bid at the Dutch auction were successful. The central bank was reverting to the system scrapped two years ago of competitive tendering by the banks. It has cancelled all but two of its scheduled weekly foreign exchange sales in the past two months.

Fears the counter-inflationary policies set out in the January budget will be undermined were raised yesterday when Lagos state administration joined Yobe and Katsina States and gave way to 45 per cent wage claims. Other states are expected to bow to pressure from striking employees.

Last June, the federal government announced a 45 per cent pay increase for its staff. Union leaders have warned

that further wage demands should be expected, saying the awards should be treated as an interim measure. Inflation at present exceeds 45 per cent.

The naira, which exchanged for more than a dollar in the early 1980s, was devalued by 41 per cent last March to close a gap with the parallel market. It is worth less than five cents today. In March the CBN reformed its foreign exchange system to make itself an active participant in the market, buying and selling foreign exchange at market rates.

Mr Ernest Shonkan, chairman of the country's transitional council, is expected to stress the importance of keeping to budget targets when he addresses a conference on the economy beginning in Abuja today.

Economists take control until the snow melts

Old guard confronts Tajikistan's economic ills during a lull in fighting, writes Steve Levine

HAVING quieted its civil war, the ex-Soviet Tajikistan government has embarked on an ambitious economic programme, including oil, gold and cotton projects. But success is far from assured, hinging on whether Islamic-dominated opposition forces, now trapped behind deep winter snows, will regroup in spring.

In a promising region with largely untapped natural gas and oil reserves, the ramifications of new fighting go far - Russian President Boris Yeltsin and Tajikistan's neighbours are more worried than ever that instability will spill over their borders.

The chief source of their anxiety is the presence of thousands of Tajik fighters in rebel training camps in Afghanistan, who are expected to try to return home in spring. Already, hundreds of fighters and thousands of arms have come over the border.

Against this backdrop, Tajikistan leader Imomali Rakhmanov is leading a Commonwealth of Independent States' effort to hold the line

against upheaval in otherwise quiet, conservative Central Asia. But he is not doing it alone. His Commonwealth allies are providing prodigious military assistance.

"If we manage to seal the border and stop the weapons coming from Afghanistan for one or two months," Mr Rakhmanov said in an interview, "we'll be able to manage our other problems."

Two years ago, rigid communism in Tajikistan began to give way to a democratic and Islamic state. But a year ago the Soviet Union collapsed, and in its poorest republic a series of coups, counter-coups and civil war ensued. The trouble shattered the nation of 8m people, tucked between China, Afghanistan and Uzbekistan. About 7 per cent of the population, or 350,000 people, were displaced, with about a quarter of them fleeing to Afghanistan. In November, the tide turned. The old-guard Soviet leadership reasserted itself, crushed its Islamic-dominated enemies, and by December retook power in the capital of Dushanbe. Today, the civil war

is calmed, and the government is conducting small operations to try to finish off its opponents.

Assistance has been provided by those who, like Tajikistan's old communists, have the most to gain. Both Uzbekistan and Russia deny any combat role in Tajikistan. But military and diplomatic sources, and independent foreign observers, say both republics have been on the front line with Tajik forces.

According to these sources, since October, Uzbekistan has sent MIG and Sukoy fighters and attack helicopters on numerous bombing runs on behalf of Tajikistan's old guard. In some cases, Uzbekistan has also sent troops to battle the Islamic-dominated forces, the sources say. Russian tank forces, the sources say, participated in combat operations in January and this month in Dushanbe and in the mountainous east of Dushanbe, at Obigarm, Rogun and Ramit Canyon.

Russia has also agreed to send an additional 2,000 troops to seal the border with Afghanistan. Afghan rebels have



armed, trained and even led some of the Islamic-dominated forces into battle. Right now, the opposition is concentrated in the snowbound town of Komsomolabad and across the border in Afghanistan, where about 5,000 Tajik opposition fighters are believed to be awaiting the spring thaw.

Mr Rakhmanov considers these forces the greatest threat to his government's efforts to

reverse an economic decline that, next to Armenia's, is the ex-Soviet Union's worst.

The year of fighting prevented the harvest of 70 per cent of the 1992-93 cotton crop, or 600,000 tonnes, costing a potential \$200m (\$138m) in foreign exchange, according to the government. The instability, plus a shortage of material and spare parts, reduced aluminium production in the last year by one-third, to 840,000 tonnes from the expected output of 1,260,000 tonnes; which cost Tajikistan \$170m in potential foreign exchange. Wheat was not planted at all in the autumn, and light industry closed down entirely eight months ago in southern Tajikistan.

Mr Rakhmanov, however, talks of building up a prosperous republic.

The first foreign deal has been with the American company Kerry Energy. Kerry has won a \$32m contract to refurbish oil wells and build a refinery in Tajikistan's industrial north, between Keniaband and Isfaran. The deal is meant to restore Tajikistan's Soviet-era

oil production of 400m tonnes a year, from its current output of 40m tonnes, and then to develop new reserves.

Much of the rest still must be proven. Satellite photographs indicate other oil and natural gas deposits in southern Tajikistan. Mr Rakhmanov said, and silver deposits are also being explored. Iron ore has been found in Leninabad - one field contains 60m tonnes - and gold deposits are being examined at Penjikent. Tajikistan also plans to plant an additional 1.5m hectares to cotton.

However, few people believe that anyone can seal the porous border with Afghanistan, which runs along the Amudarya river, and most observers expect the war to rage again in spring. Still, Mr Rakhmanov - and his Commonwealth allies - plan to try.

"This is the anointed government. Every one wants this government to work," said a diplomat in Dushanbe. "If they can bring these fighters under control, they will have the thing wrapped up."

SALEROOM

'Woman of Fashion' sells for \$1.98m

By Antony Thornton

"LA MONDAINE", or "The Woman of Fashion", by James Jacques Tissot, depicting a girl at a smart party being helped out of her fur coat by her elderly lover, sold for \$1,982,500 (\$1.98m) at Sotheby's in New York on Wednesday, an auction record for the 19th-century French artist.

It was one of the 15 "Women of Paris" paintings Tissot completed in the 1870s, portraying the self-confident "New Woman" of the Third Republic: the young girl at the centre of the painting boldly holds the gaze of the viewer.

The picture came from the collection of the Toronto industrialists Joey and Toby Tanenbaum, selling near the top of its estimate.

Two other paintings from the series were also sold by the Tanenbaums. "Sans Dot" ("Without Dowry") shows a young widow in black offering herself for inspection in a park, and went well below its \$1.2m-\$1.8m estimate, at \$882,500.

"The Sphinx", an inscrutable young woman on a couch, fetched the same sum, also selling below target.

Obviously, Sotheby's was expecting too much from a still convalescent art market.

Even so, with a sale totalling \$10.2m and only 15 per cent unsold, it will be pleased with one of the first big art auctions of 1993, and one in which successful bidders now have to pay a 15 per cent premium, instead of 10 per cent, on top of the hammer price.

A record price of \$800,000 (way above the top estimate of \$360,000) was paid for "The Mirror" by the British artist Sir Frank Dicksee.

It was bought by the London dealer Macdonald-Mason who advises Sir Andrew Lloyd Webber, the leading buyer of Victorian art. It shows a young girl staring at herself in a hand mirror.

Belle-Epoque and orientalist pictures did best in a sale of pictures likely to appeal to first-time buyers enjoying a revival in the US economy.

Jobless above 3m for first time in six years

By Peter Marsh,
Economics Staff

HEADLINE unemployment rose last month to 3,062,065, the first time for nearly six years that the total has breached 3m.

Adjusted for seasonal variations, the total is 2,995,100, after a rise of 22,100 in January compared with the previous month.

Although the 33rd consecutive monthly rise in the adjusted total is the smallest since last June, employment department officials said there

was no sign the increase in unemployment was slowing down.

The headline or unadjusted total increased by 78,726 in January compared with December, much of the rise being due to seasonal factors. Last month's headline total is the highest since April 1987, while the seasonally-adjusted figure was last exceeded in January of that year.

A glimmer of good news for the government was that the underlying increase in average earnings across the economy in December was a year-on-

year 4.75 per cent, the smallest annual rise for 25 years.

The annual change in underlying earnings was 5 per cent in November, while last April it was 7 per cent. The subdued growth in wages may help the Treasury to hit its target of keeping underlying inflation below 4 per cent.

Underlining how the recession has contributed to calmer industrial relations, working days lost last year due to labour disputes came to 528,000, the lowest annual total since government records began in 1981.

Since the low point for seasonally-adjusted unemployment in April 1990, the number of people without jobs and claiming benefit has risen by 1.4m from 1.6m, or 88 per cent. Last month all UK regions registered a rise in joblessness.

The total in the south-east, including Greater London, rose by 11,800 in January, accounting for more than half the monthly figure for the UK as a whole. In this region, unemployment has increased by 618,300 or 180 per cent, since early 1990.

The lower-than-expected increase in unemployment in January followed a large 60,300 rise in December. The average monthly increase during the three months to January was 42,400, compared with the equivalent figure of 35,900 in the three months to October last year. In January, 10.6 per cent of the workforce was without a job, up from 10.5 per cent in December.

In manufacturing, employment decreased by 32,000 in December to 4,32m, after falls of 25,000 in November and 10,000 in October. In the year

to December, average earnings in the sector rose by an underlying 5.5 per cent, after 5.75 per cent in the year to the previous month.

Reflecting that manufacturing output has fallen in recent months while unemployment has risen steeply, output per person in the sector was up 6 per cent in December compared with a year previously, the highest year-on-year figure since April 1989.

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Britain in brief



Lloyd's faces big claims on US pollution

Lloyd's of London faces a big increase in possible claims from US pollution, further damaging prospects for the insurance market.

Lloyd's syndicates have already put aside more than £1bn to pay claims from US pollution and are likely to need to increase reserves following an estimated 30 per cent upsurge in claims notifications during 1992.

"It is a young problem but it is still growing," said Mr Alan Pollard, chief executive of Syndicate Underwriting Management, which handles claims on behalf of more than 80 syndicates which are no longer in business and about 17 per cent of all pollution claims at Lloyd's.

Kodak factory for Merseyside

Kodak, the US-based photographic and office equipment supplier, is investing £16m in a new factory on Merseyside after deciding against sites in France and Germany.

The factory is expected to create 40 jobs in the area and will make toner, the fine black powder used to produce photocopies, for customers throughout Europe. At present, Kodak manufactures toner in the US and ships it to Europe.

New blow for housing market

Reports from estate agents of increasing activity in the housing market have been undermined by figures from building societies showing a fall in the number of people committing themselves to new mortgages. The value of net new commitments to society mortgages fell last month to £1.55bn from £1.89bn in December. The December fig-

ure was itself revised downwards from an earlier estimate of £1.99bn, which was taken as a sign of modest recovery.

Paternoster plan cleared

One of the longest-running planning controversies in London approached an end yesterday when Mr Michael Howard, environment secretary, cleared the £800m redevelopment of Paternoster Square next to St Paul's Cathedral.

Mr Howard said he had decided not to call in planning applications to redevelop the area. Redevelopment had been in doubt because of the depressed property market.

His decision about a seven-acre site of which Paternoster Square forms 4.5 acres, will allow the Corporation of London to proceed with granting planning permission.

London Zoo to invest £21m

London Zoo yesterday announced a £21m investment programme designed to turn the 36-acre Regent's Park site into a world-class animal conservation and breeding centre.

Dr Jo Gibbs, zoo director, said £2.5m had been raised and Mr Peter Brooke, national heritage secretary, welcomed the plan which does not seek government financial support.

Analyst makes power bid

Mr Chris Rowland, an analyst with Barclays de Zoete Wedd, has acquired a reputation in the City for taking a bearish outlook on the electricity companies he follows. But there is nothing pessimistic about his view of his own prospects.

To the surprise of his fellow electricity-watchers, he has quit his lucrative job at the company where he has worked for 10 years so that he can attempt to run parts of five power stations that National Power, the electricity generator, considers have had their day. National Power said although Mr Rowland had approached it through his company, Cabal Energy, his offer was not commercially attractive. "We will consider future bids on their merit," it said.

Timex plant besieged by dismissed workforce

By Robert Taylor,
Labour Correspondent

ANGRY pickets yesterday besieged the Dundee plant of Timex Electronics, the US-owned multinational, in protest at the company's decision to sack all its production workers in Scotland and replace them with a new labour force.

This is the largest case of a mass dismissal of workers by a company in Britain since News International fired its print workers before moving to Wapping in east London in January 1986.

Yesterday the first 12 recruits walked into the Dundee plant, which makes printed circuit boards, through a picket line of former Timex employees.

Mr Peter Hall, the Timex president last night, said the mass picketing at the plant was illegal. The company intended to increase production in the second half of the year and recruit a further 300 workers, he added.

With more than 10.3 per cent of Dundee's workers jobless, the company has been inundated with applications.

Mr Hall said the company had decided to replace its 330-strong manual workforce, following a 20-day dispute over lay-off provisions.

Senior executives flew from Connecticut last week in an attempt to hammer out a peace plan with the union. This involved acceptance of a reduction of lay offs among the whole workforce for six months with access to independent arbitration; a pay freeze for 1993; a 10 per cent cut in benefits and introduction of a profit sharing scheme.

Mr Gordon Samson, the AESU's district secretary in Dundee, said the workers had agreed to return to work but "under protest" and the company had then fired them. "This is a lock-out, not a strike," he said.

The trouble at Timex began just before Christmas when the company warned the AESU that the Dundee plant faced closure or at least compulsory redundancies if the workforce did not accept lay-offs and a reduction in the value of their present lay-off agreement.

Firm in alleged charity fraud unlicensed in UK

By Norma Cohen,
Investments Correspondent

TILEN Securities, the firm at the heart of an alleged £6m fraud, is neither registered in Britain nor authorised to conduct investment business here, regulators said yesterday.

Two individuals named in a writ filed by the Salvation Army, Mr Stuart Christopher Ford of Birmingham and Mr Gamil Naguib are also not authorised to conduct investment business, according to the Securities and Investments Board.

The Charities Commission requires trustees of charities to conduct investment business only through firms authorised under the Financial Services Act.

The Salvation Army, through its public relations advisers Lowe Bell, confirmed yesterday that an officer of its organisation has been suspended with pay pending the outcome of an internal investigation.

The Salvation Army has retained the accountancy firm of Coopers & Lybrand and City solicitors Slaughter and May to investigate the disappearance of the funds. It is believed a Mareva injunction - an order to freeze assets - is being sought in connection with the

writ.

Last month the Salvation Army succeeded in obtaining an order to freeze assets held in Luxembourg. Assets of about \$500,000 were frozen.

The Salvation Army has declined to give any details of how the alleged fraud occurred or even to specify the dates upon which it occurred.

The charity, which is the largest provider of social services after the government, last year had an income of almost £80m, of which £12m came from public donations.

It is the sixth largest UK charity - only the National Trust, Royal National Lifeboat Institution, Oxfam, Imperial Cancer Research Fund and Cancer Research Campaign are larger. In recent years it has expanded its area of work into areas once the reserve of local authorities, such as day centres and help for the disabled.

Its income from private sources comes mainly from legacies, with the government providing more than £30m a year to help fund its social services projects, such as its work for the homeless and the young unemployed in Southwark, south London.

In has about 55,000 members in the UK, with about 1.5m worldwide.



The Salvation Army, which has an income of £80m, has retained the accountancy firm of Coopers & Lybrand and City solicitors Slaughter and May to investigate the alleged fraud

MAASTRICHT BILL

Fresh doubts on treaty claims

By David Owen

FRESH DOUBT was last night cast over the government's claim that it could ratify the Maastricht treaty even if it was defeated on an opposition amendment seeking to include the social chapter in British legislation.

The doubts were raised at Westminster after Mr Paddy Ashdown, leader of the centrist Liberal Democrats, released a legal opinion "totally at variance" with the advice given by the government's law officers.

In an open letter to prime minister John Major, Mr Ashdown said the opinion by Mr Anthony Lester QC reached a "wholly different" conclusion from that given by law officers. This raised questions related

"not just to the Maastricht Bill, but to the quality of advice offered by the Attorney General," he said.

Mr Ashdown also followed Mr John Smith, the Labour leader, by calling for the publication of the apparently conflicting advice on the amendment given by the law officers and the Foreign Office.

Mr Major has yet to respond to Mr Smith's request, which followed the government's embarrassing U-turn in the Commons last Monday when it admitted its original advice that the amendment would wreck the treaty was mistaken.

According to Mr Ashdown, the new opinion highlights Section 6 of the European Assembly Elections Act 1978, saying it makes clear that Parliamentary approval is required for any treaty which extends the power of the European Parliament.

This is "clearly applicable to the Maastricht Treaty and its protocols," Mr Ashdown said.

The new opinion appears to confirm the government's view that it can ratify Maastricht even if defeated over the amendment. But it suggests that under such circumstances, the social protocol could not enter into force without an agreement by other EC states.

Separately, ministers have accepted they may have a problem if Labour's amendment is passed, in paying for administrative costs of the social chapter which could be due from Britain even though it has opted out.

An export-led revival has failed to materialise, writes Tony Jackson

Trade deficit hampers UK recovery

John Major is looking to industry for an export-led recovery he could be disappointed. An FT study has found. In spite of recent efforts to promote exports, the trade gap in manufactured goods is likely to carry on widening.

An FT survey of industrial sectors shows some sectors in deficit, such as motors and electronics, are reviving following overseas investment. However, the decline of other sectors may accelerate.

Britain went into deficit in manufacturing trade 10 years ago, and last year, in spite of the recession, the deficit widened. There is now a long list of products in deficit which were in surplus 20 years ago. Besides motors and electronics, sectors in deficit include textiles and furniture. Individual items range from nuts and bolts to bicycles and pianos.

It is not an easy problem to grapple with. Guinness recently announced rationalisation and job losses in the Scotch whisky industry. It is to spend £25m on new automatic bottling equipment, all from abroad. "It is virtually impossible to buy high-speed, sophisticated bottling equipment in the UK," Guinness said this week. "The technology is in the hands of the Germans."

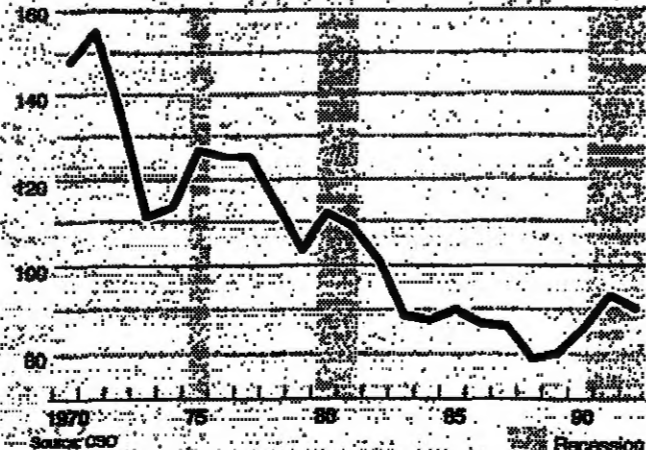
The FT's findings show that even in sectors in surplus the pattern is mainly of decline. The most commonly cited example of British industrial success in world markets is



In a two-part series starting on Monday FT writers will look at the reasons for Britain's continuing trade gap in manufacturing

Manufactured goods

Export / Import balance (Exports by value as % of imports)



pharmaceuticals, which last year contributed a trade surplus of some £1.3bn. But in while 1970, exports of pharmaceuticals exceeded imports by a factor of four. By 1990 it was a factor of three, and last year exports were less than double imports.

There is a similar pattern in chemicals, which are also still in surplus. In the 1980s the industry cut back production of petrochemicals sharply, following heavy losses in the previous recession. As a result, it was unable to supply demand in the boom at the end of the decade. Import tonnage of PVC, a basic plastic used in the construction industry, trebled

between 1990 and 1991 while export tonnage halved.

Nor is it likely that the devaluation of sterling since last September will help. In 1970, when manufactured imports were only two thirds the size of exports, sterling stood at an average DM8.74 and £2.40. Since then, devaluation and a declining trade balance have gone hand in hand.

The brightest spots in the picture are in motors, where massive Japanese investment is expected to plug the deficit by the mid-1990s, and in electronics, where Britain is benefiting from foreign investment in consumer electronics, semiconductors and personal com-

puters. However, business location experts don't think the UK will continue to enjoy the lion's share of inward investment into Europe.

Mr David Rees, location specialist with Ernst & Young, said "I think Britain will continue to earn a high share of manufacturing projects relative to the size of its economy. But I do not believe it will retain its lead."

The reason he gives is low-cost competition from eastern Europe and greater efforts by other west European countries to attract investment. Investors are also starting to be deterred by Britain's hostile image to Europe.

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One of nature's less obvious amphibians has this week been inching its way into the blue waters of the Mediterranean off Taranto on Italy's south-eastern coast.

At almost 19,000 tonnes, the massive hull for Shell's new Anger production platform in the Gulf of Mexico represents a milestone for the offshore oil industry. As reserves in easily exploitable locations are gradually depleted, oil companies are searching for new sources in more hostile terrain, whether on land or ever deeper at sea.

The large rectangular structure, built by Italy's Belleli engineering group at its Taranto yard, comprises four 49m-high, twin-core steel towers, linked by a thick steel pontoon belt at the bottom and diagonal struts at the top. Like a giant upturned table, the 108m-long and 88m-wide hull forms the lower part of the new platform, which will stretch offshore oil production technology to unprecedented limits.

The completed platform, due to start producing oil early next year, will sit in 980m of water off the US coast. At that depth, it will beat by almost a third again the previous record depth for a platform, and could represent the first step towards a new generation of "super" oil platforms capable of operating at depths of up to 1,200m.

Working in such deep waters has obliged engineers to abandon previous platform technology in favour of new solutions to address the problem of how

Shell's new production platform is a milestone for the oil industry, writes Haig Simonian

Moving into deeper waters

to create a structure which will be sufficiently tall, yet rigid enough to permit oil to be extracted successfully and safely.

The offshore business has until now been dominated by two designs: the familiar "jacket" - tapering lattice-works of special steels, akin to a modern Eiffel Tower, which

Umberto Pellegrini, Belleli's project manager for the Anger contract. But as oil companies have pushed ever deeper to sea, the two designs have been showing their limits.

A 900m-tall jacket would be prohibitively expensive owing to the amount of steel required, he says. At that height, it might also be insuffi-

The first TLP was developed about seven years ago for Conoco's Hutton field in the North Sea. Since then, two more have gone into operation in the Gulf of Mexico and the North Sea. However, the Anger platform marks the biggest and most expensive TLP to date. The hull alone cost around £200bn (\$31m), while the deck, being built by McDermott, the big US engineering group, will cost as much again. On to that must be added the separate modules covering functions such as production and accommodation.

TLPs comprise a large floating metal hull - the upturned table - on top of which the deck and modules are mounted. Although seemingly the simplest part of the structure, the hull is in many ways the key to how a TLP works.

Because it floats, the hull requires no direct support from the seabed, representing an obvious saving in weight, and therefore cost. But in order to



The hull for Shell's Anger tension leg production platform is the first to be wholly assembled on land

provide the necessary stability and rigidity, the TLP is attached to the ocean floor by 12 steel tendons - in reality 12-inch steel tubes bolted together in 100m-sections - which are put under tension to lock the platform in place. A pair of anchors, stretching up to 3km from each leg, provides further stability in the case of severe weather conditions, such as the hurricanes which can sweep the Gulf of Mexico.

The floating technology is deceptively simple, yet lies at the heart of the two key processes involved in preparing a

TLP for use. Precisely controlled ballasting and de-ballasting is needed for the first step, due later this year, when the hull will be "mated" with the superstructure at sea.

As no floating cranes exist which are powerful enough to lift an object as heavy as the 20,000 tonnes of completed deck, the process will be carried out by sinking the hull instead. Once in position, pumps in the four columns will start bringing in enough sea water to lower the top of the hull to the water line. In the meantime, barges carrying the

superstructure will move precisely into position over the submerged structure. By pumping out the water, the hull and superstructure will gradually rise, eventually reaching their desired operating height. Once there, the superstructure will be welded to the hull at five special anchor points topping the four columns. "It seems very simple, but it's actually very difficult, especially to avoid bumping," says Pellegrini.

Sophisticated ballasting techniques will also take centre stage when it comes to tensioning the cables linking the platform to the sea bed. The cables are put under tension by shedding ballast in the hull. Only once the platform is fully stable can oil start flowing through the 24 pipes, known as "risers", which link it with the wells on the ocean floor.

Although the Anger platform uses technology which has already been tested before, the depth at which it will operate means it represents a new challenge compared with its predecessors. Moreover, it is the first TLP to have its hull wholly assembled on land before being towed out to sea in one piece.

Belleli made three of the four giant legs on the previous TLP,

built for the Snorre field in the Norwegian sector of the North Sea. But once fabricated, they were shipped to the main contractor, where they were then joined to the rest of the hull offshore.

Onshore fabrication will set the pace for the even bigger TLPs of the future, the company thinks. Among projects believed to be under preliminary consideration are new platforms for Shell in both the Gulf of Mexico and off the Philippines, and for French oil companies off the Congo.

The new TLPs may have to operate in waters of up to 1,450m deep, stretching existing techniques still further. If the orders come through, they will be a godsend to an industry currently suffering from the downward phase of an often highly cyclical business.

Low oil prices and worldwide recession, reducing demand for oil, mean new orders for rigs and platforms have become scarce. In Belleli's case, the almost simultaneous launching this month of the Anger hull and two big modules for other platforms will leave the Taranto yard without work.

With only about half a dozen companies probably capable of building the big TLPs of the future, Belleli's engineers are setting great store by the experience they have gained so far. No other European fabricator has won a similar order for the US market, which is still largely dominated by US manufacturers.

However, even TLP technology could be nearing its limits - at least until more experience is gained with the current generation of platforms in operation. Pellegrini says extending current techniques to produce TLPs capable of working in up to 1,500m is quite feasible.

The challenge lies in going deeper. "That will require new techniques for preparing the seabed templates to which the securing tendons are attached," he says. And even the most enthusiastic TLP engineers will want to see how their latest brainchild, such as the Anger platform, perform at sea over a period of time before taking too big a leap further forwards.

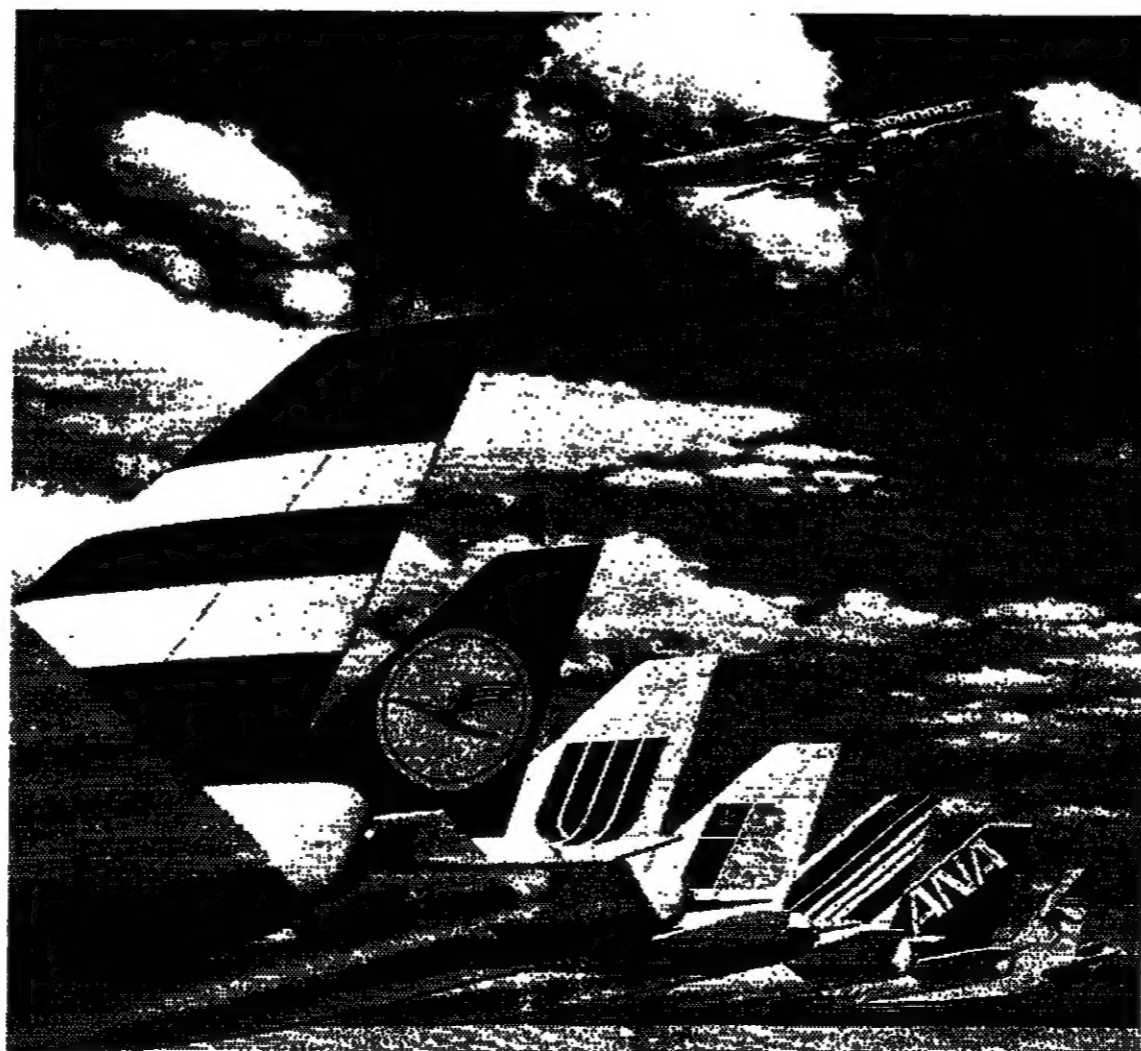
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Worth Watching • Della Bradshaw

In conversation with your video

Perhaps the most irritating thing about watching feature films which have been recorded on home video is the adverts which pop up at the most exciting part of the action. Now US viewers can skip the commercials by shouting "zap it".

The VCR voice programmer, developed by Voice Powered Technology, of Canoga Park, California, also enables viewers to switch their video on and off and program it simply by speaking commands. The device, the size of an ordinary television remote control unit, can also be used instead of the conventional remote control to operate the television and cable box. The company is planning to develop the gadget, which costs \$169 (£119), for sale in Europe and the Far East. Voice Powered Technology: US, 818 407 5800.

Keeping up by satellite

For journalists tired of press conferences, or too busy or far away to attend them, Interactive Information Networks has come up with an answer, writes Andrew Fisher.

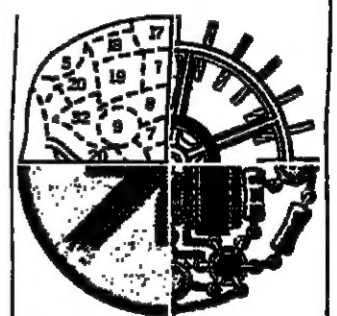
The US company offers a "front row seat" at news conferences of high-technology companies without anyone having to leave the office. Conferences can be broadcast live to newrooms through IIN's packaged installation of a satellite-linked television, video recorder, and laser printer.

Those receiving the news - journalists can ask questions via the system - pay nothing. The broadcasting companies - including IBM, Apple and Lotus - pay \$25,000 an hour, or \$100,000 for five hours. Florida-based IIN is now introducing its service to Europe. IIN: US, 407 234 1111; France, 1 4887 7044.

Algae play a powerful role

Algae burnt in power stations could provide cheaper energy than traditional fossil fuels.

Engineers at the University of the West of England, in Bristol, have cracked the problem of how to grow the chlorella algae cheaply enough to make power generation feasible - filtering them from ponds is uneconomical. They have used a "Biocoll", a five-metre high



vertical tube in which the algae circulates, harnessing sunlight for photosynthesis. Sewage has proven a particularly effective nutrient for the algae. The carbon dioxide produced when the algae are burnt is redirected to help new algae grow, preventing the emission of greenhouse gases.

The first power station could be in use within 18 months. University of the West of England: 0272 656 361.

● A novel fuel, which could reduce carbon dioxide emissions by 15 per cent, is now propelling buses in Canberra, Australia. Dieselol is a blend of diesel (84.5 per cent), hydrated ethanol (15 per cent) and emulsifier (0.5 per cent). The breakthrough, according to developers Apac Research, is the emulsifier, which helps the diesel and ethanol mix. Apac Research: Australia, 49 92 3033.

New propellant flies high

Gunpowder, the essential ingredient in today's fireworks, could soon be replaced by a safer alternative.

Gunpowder is used as the lifting charge to propel the firework into the sky. Now researchers at the Cranfield Institute of Technology, working for Standard Fireworks, have developed an equally effective propellant which is bound with a polymer which makes it less sensitive - and therefore safer - and less expensive.

Cranfield's Alan Bailey has also developed an economical method of making the coloured "stars" that shoot out of roman candles based on memories of jelly babies being made in a sweet factory. There the jelly was poured into a mould of cornflour, which formed the outer coating of the sweet. In the pyrotechnic version the cornflour is replaced by "glitter" material, which coats the metal pellets. Cranfield Institute of Technology: UK, 0793 7853220.

THE PROPERTY MARKET

French capital losses

Paris is facing up to one of its worst property collapses. Climbing vacancy rates and sharply falling values have created alarming difficulties for French banks and developers.

Large financial restructurings are under way. In January, Mr Christian Pellerin, a developer of large tracts of La Défense, the office complex just outside central Paris, was replaced as chairman of Lucia, a property company undergoing a FF1.1bn (£130m) capital reconstruction. Also last month, Pierre Premier, a developer, was forced to cede four-fifths of its property portfolio to the banks after incurring heavy losses.

At the same time, the current round of results from banks are scarred by large bad loans to the property industry. Banks' total exposure to the industry is widely believed to exceed FF400. Banque Paribas, which has just increased provisions to 15 per cent on its own FF27.4bn property lending book, is not alone in facing up to heavy provisions. "Statistics show that provisions of 15 per cent may be necessary but this varies greatly from bank to bank depending on the particular nature of the underlying credits," says Mr Arnaud de Ménilbus, executive vice-president of Banque Paribas.

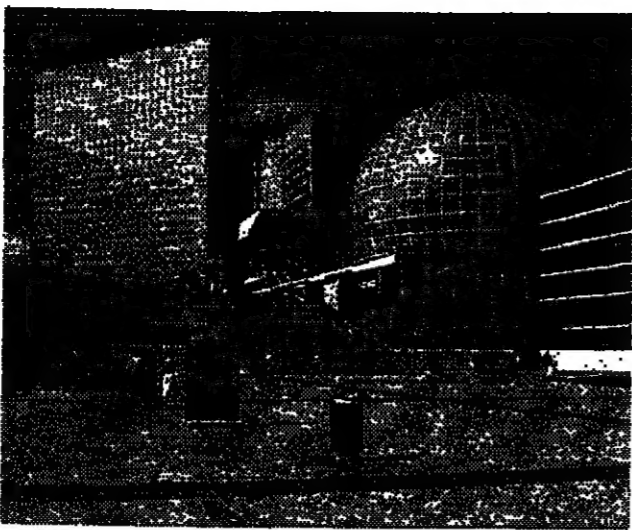
Mr Robert Waterland, head of the Paris office of Jones Lang Wootton, chartered surveyors, believes the problem is far worse. He says the banks' write-downs will eventually exceed FF100bn.

The banks' predicament stems from the speculative frenzy that gripped the property market in 1988-89 when banks encouraged the upward spiral of prices by lending large sums to speculators promoting ambitious schemes.

Many of the banks' heaviest losses have been on loans made to small traders, the so-called "marchands de biens". "The quality of the small traders' real estate is abysmal," says Mr Waterland.

Banks are also facing large losses on speculative ventures, notably in a handful of large developments in central Paris. These new schemes were conceived at a time when Paris had little vacant office space. The completion of a large

The Paris slump is hitting banks hard, writes Vanessa Houlder



Empty towers: Rising vacancy rates and falling values have created alarming difficulties for banks and developers in Paris

quantity of new offices this year could push the office vacancy rate in the French capital close to 10 per cent. Banque Paribas believes that the stock of empty offices in Paris could reach 4m sq m by December; this volume would take four years to absorb on normal take-up rates.

The rising vacancy rate, together with the slowing economy, have pushed rents down by between 20 per cent and 30 per cent since mid-1991. At the same time, interest from buyers has evaporated, pushing

The banks' predicament stems from the speculative frenzy that gripped the market in 1988-89

estimates of prime yields up from less than 5 per cent to more than 8 per cent. As a result capital values have fallen by some 40 per cent.

The Paris financial establishment is doing all it can to prevent a mood of crisis from developing. "French banks are not going to get into the situation of Anglo-Saxon countries... There will be no Olympia & York here," said a spokesman for the Association of French Bankers last year.

In an effort to prevent bankruptcies and forced sales of

must obtain official authorisation for large office moves. This system, designed to encourage companies to relocate to the regions, curbed the take-up of space in Paris; the reinstatement of favourable tax treatment of finance leases, which may encourage owner-occupation;

an extension to the four-year holiday on the 20 per cent transfer tax which is payable on property deals. This will ease the pressure on traders and banks needing to sell property in the short term.

"Too little, too late," was the market's general reaction to these measures. "Positive and useful, but insufficient," said the AFB. The industry is continuing to pressure the government to do more.

Last week, Mr Camille Cabana, the deputy mayor of Paris, proposed a public fund to lend money cheaply to developers in return for mobilising their projects and preventing yet more new offices flooding onto the market.

But while the government may be prepared to help the construction industry and residential property market, it will be loathe to bail out speculators. The prospect of using public money to save the industry seems unlikely except in the event of a further sharp deterioration of conditions.

But for the moment that opportunity is remote. Despite the banks' bad loans, the problems are still far from jeopardising the financial system. Indeed, there is a body of opinion which insists that the gloom is exaggerated.

"The economy is the strongest in Europe, the market is undersupplied with decent products, tenants can move freely," says Mr David Robinson of Richard Ellis. "When there is an upturn in the economy, the market will move quickly."

Mr de Ménilbus of Banque Paribas emphasises the underlying strengths of the market. "Even if we take a pessimistic view of the market, it is not like the US or UK. It is a quite different crisis," he says.

"Vacancy rates are much lower, prices have fallen to a sensible level, it is a well-organised market, the institutions have the muscle to keep the market at a reasonable level. The market can cope."

BUSINESSES FOR SALE

BUILDING SERVICES ENGINEERS

Trison Group

The Joint Administrative Receivers, David R Wilton and Ian N Cornthwaite, offer for sale the business and assets of these five companies which form the Trison Group. The Group offers a complete range of mechanical, electrical, plumbing and maintenance services on all types of commercial and industrial buildings.

Trison Mechanical Limited

Design, installation and maintenance of mechanical services. Principal features of the business include:

- turnover \$4.35 million in 1992
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- full design service.

Trison Plumbing Limited

Design, installation and plumbing of plumbing services. Principal features of the business include:

- turnover \$1.4 million in 1992
- complete range of plumbing operations.

Trison Group Limited

- administration of group companies.

FOR FURTHER INFORMATION AND SALES PARTICULARS FOR EACH BUSINESS CONTACT: THE JOINT ADMINISTRATIVE RECEIVERS, David R Wilton or Ian N Cornthwaite, at Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT. Tel: 021 200 4000. Fax: 021 200 4040, or of the Company's premises at Trison House, 1152 Coventry Road, Hay Mills, Birmingham B25 8DB. Tel: 021 773 2727. Fax: 021 773 1433.

Trison Electrical Limited

Design, installation and maintenance of electrical services. Principal features of the business include:

- turnover \$3.43 million in 1992
- fully computerised estimating
- full design package.

Trison Maintenance Limited

24 hour maintenance of mechanical, electrical and plumbing services. Principal features of the business include:

- turnover \$0.25 million in 1992
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- assessment general state of repair
- commissioning and balancing.

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Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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Three new directors at Bank of England

Frances Heaton, the director general of the City of London's Panel on Takeovers and Mergers, yesterday became the first woman director of the Bank of England.

Two other non-executive directors were also appointed to the Bank's court: Sir Jeremy Morse, who retired earlier this month as chairman of Lloyds Bank, and Sir Chips Keswick, chairman of Hambros Bank.

Bank directors are appointed by the Queen on the recommendation of the Prime Minister's office. John Major has adopted a policy of appointing women to senior public posts wherever possible.

Heaton worked at the Treasury between 1970 and 1980, when she joined the merchant bank, Lazard Brothers. She

was seconded to the Takeover Panel last year. "The thing I am particularly pleased about in being appointed a director is that it maintains a continuity between the Bank and the Treasury," she said yesterday.

One of the three retiring bank directors is Sir David Walker, the deputy chairman of Lloyds Bank and a former Treasury official. The others are Sir Brian Corby, chairman of the Prudential Corporation, and Lord Haslam, former chairman of British Steel.

The court of the Bank of England usually meets once a month on a Thursday. The non-executive directors serve as a sounding board for the Governor, but do not get involved in setting interest rates and monetary policy or



L to R: Morse, Keswick and Heaton

in the minutiae of bank supervision.

Heaton, 48, says that there could be a conflict between her Panel responsibilities and her new Bank role, if there were a takeover bid for a bank. In that case, she would concentrate on her role of adjudicating on the bid and absent herself from any Bank discussions of the

takeover attempt. Sir Jeremy Morse, 64, has had a long association with the Bank of England. For ten years from 1985 he was an executive director of the Bank, before joining Lloyds.

Both Sir Jeremy and Sir Chips both began their banking careers at Clydesdale, now part of Royal Bank of Scotland.

Whittaker retires from Inchcape

At 63, battle-scarred UK motor industry veteran Derek Whittaker has decided to step back from the front line at Inchcape, the international services and marketing group which has a range of motor distribution businesses worldwide.

Whittaker is retiring from the board, to which he was appointed in 1986 to oversee all Inchcape's motor business except its Toyota activities. But he will continue to advise Inchcape on motor trade matters, as befits an industry figure who has seen it all - including service with Ford and the former British Leyland in the thick of the UK indus-

try's trench warfare of the 1960s and 1970s.

Whittaker, who, as managing director of Leyland Cars, helped face down the toolmakers whose strike came close to polishing off British Leyland for good in the 1970s, is succeeded by another great industry survivor.

Reg Heath, who steered vehicle distribution group TKM back to health throughout the 1980s, both before and during its acquisition by New Zealand entrepreneur Sir Ron Brerley, is taking over all of Whittaker's responsibilities.

The ever-cheerful and wide-

ly-liked Heath has, however, been on the board since last March, following Inchcape's own takeover of TKM, which continues to sell around 50,000 cars a year through nearly 100 retail outlets.

For Heath, it's a long way from the dealer forecourts where he first saw service with TKM's dealer subsidiary, Wadham Kenning, back in 1958.

For Inchcape, it's another significant break with the past. Whittaker is leaving less than two years after the departure as Inchcape's chairman of his old British Leyland managing director associate, the late Sir George Turnbull.

■ Ian Rae, a director of COURTAULDS TEXTILES, died on February 17.

■ Neil Cannetby-Clarke has been appointed finance director at LWT in succession to Peter McNally who retires next month.

■ Alan Woods has been appointed operations director of Palmer Environmental Surveys, Michael Greasley production director of Standard Machinery, and Anthony Raine sales director of Apollo Fire Detectors, all parts of HALMA.

■ Michael James, formerly deputy chief executive, has been appointed chief executive of MILES UK on the retirement of its founder, Karl Wedekind.

■ Alan Kay has been appointed chief officer of the South East Co-op, part of the CWS.

■ Tony Farrington has been promoted to the board of FOSTER WHEELER ENERGY as sales and marketing director.

■ Richard Morris has been appointed safety director of EUROLYNOL.

■ Wim Roselaar, former director of distribution (Europe) for United Distillers, has joined BURN STEWART DISTILLERS, the independent Scotch whisky company which was floated on the UK stock market in 1991, as European sales and development director. While at UD Roselaar was responsible for implementing sales and distribution strategies for the European single market.

Sandy Russell promoted



Sandy Russell has been appointed a deputy chairman of Customs and Excise. The post, one of two deputies, is currently filled by Valerie Strachan who succeeds Sir Brian Unwin as chairman in March.

Russell, 54, joined customs eight years ago as director, organisation, before taking over as director, customs in 1990.

The directorship came at a time when customs was undergoing some of the most radical changes in its 332-year history to pave the way for the single European market. Russell was responsible for reforming the customs controls at ports and airports.

The work involved moving revenue-collecting posts inland

and changing the role of investigation and detection from a barrier-like approach to that of an intelligence-led service. "It ought to be fairly evident that our whole concentration has been on major prohibitions rather than the odd bottle of booze. Our effort isn't directed towards finding minor revenue evasion," he said of his task.

Before joining customs, Russell was responsible for pioneering the government's financial management initiative at the Management and Personnel Office and earlier had held senior posts in the Scottish Office. He will retain control of the customs group in addition to becoming director general internal taxation in his new position.

CONTRACTS & TENDERS

BRAZILIAN TRAINING SHIP

NE "BRASIL" PUBLIC TENDER NR. 001/93
Notice is hereby given that the NE "BRASIL" - AMRJ with offices at: Ilha das Cobras, S/N - Rio de Janeiro, Brazil, CEP 20091-000, is accepting tenders to choose a supplier for DRY AND FROZEN FOODS TO THE BRAZILIAN TRAINING SHIP DURING THE TRAINING CRUISE - 1993.

TENDERERS MUST HAVE A LEGAL REPRESENTATIVE IN BRAZIL. The latest date for submissions of qualifying documents and quotations is 15th March 1993 and the details of this Public Tender are available, at request, at the above address. For further information you may require, please contact:

NE "BRASIL" - AMRJ
Fax: 010 55 21 253 6027/216 6668
Tel: 253 6027/216 6650

COMMISSION OF TENDER

LEGAL NOTICES

NOTICE OF CREDITORS MEETING UNDER SECTION 480 OF THE INSOLVENCY ACT 1986.
Company No 09000. Registered in England.
ROGERS AVIATION LIMITED
Principal place of business: Castle Mill, Golding Road, Buntingford, Cambs, EN11 0JA.

NOTICE IS HEREBY GIVEN, pursuant to Section 480(2) of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at St Andrew's House, 20 St Andrew's Street, London EC4A 3AY on 4 March 1993 at 11.00 am for the purpose of having before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a Committee to enquire into the conduct of the Receiver or under the Act. Creditors whose claims are wholly or partly secured by a charge on the assets of the company are not entitled to attend or to be represented at the meeting. Other creditors are only entitled to vote if (a) they have delivered to us at the address above before, by no later than noon on 7 March 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 15 February 1993
Full confidence and secretarial services are available to the company.

Signature: C J Hughes & R M Avey
Joint Administrative Receivers
Coopers & Lybrand
20 St Andrew's Street
London EC4A 3AY

In the High Court of Justice, Chancery Division.
IN THE MATTER OF KENWOOD AFFILIATES PLC
AND
IN THE MATTER OF THE ORDER OF THE HIGH COURT OF JUSTICE, Chancery Division, dated the 10th day of February 1993 confirming the constitution of the Capital Redeemable Reserve and the reduction of the Share Premium Account of the above named Company as registered by the Registrar of Companies on 12th February 1993.

Dated this 15th day of February 1993
Clifford Chance
200 Abchurch Lane
London EC4A 3DU
Re: KO
Solicitors for the Company

YORKSHIRE INTERNATIONAL FINANCE S.V.

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts for the period ended 30th September, 1992 are available from Yorkshire Bank PLC, 20 Mark Lane, Leeds LS2 8BZ. The Annual Report and Accounts of Yorkshire Bank may also be obtained from this address.

COMPANY NOTICES

BRADFORD & BINGLEY

£100,000,000
Collateral Floating Rate Notes Due 2003
In accordance with the terms and conditions of the Notes, the interest rate for the period 18th February, 1993 to 18th August, 1993 has been fixed at 7.0625% per annum. The gross interest amount payable on 18th August, 1993 will be £35.02 per £1,000 nominal.

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COMPANY NOTICES

THE INSURANCE COMPANIES ACT 1982

THE CONTINENTAL INSURANCE COMPANY (EUROPE) LIMITED

TRANSFER OF GENERAL BUSINESS

NOTICE IS HEREBY GIVEN that The Continental Insurance Company (Europe) Limited ("Continental") applied to the Secretary of State for Trade and Industry on 8th February 1993 for his approval pursuant to Section 51 of the Insurance Companies Act 1982 to transfer to Reliance National Insurance Company (UK) Limited all its rights and obligations attaching to all policies of insurance written by Continental before 1st January 1993 in the United Kingdom being insurance business categorised in the records of Continental as personal accident business.

Copies of the Statement of Particulars of the proposed transfer are available for inspection at Continental's offices at Continental House, 77 Greenwich Street, London EC3V 6DN, or at its regional and local offices before 21st March, 1993.

Written representations concerning the transfer may be made to the Secretary of State for Trade and Industry at the Department of Trade and Industry, Insurance Division, 10-18 Victoria Street, London SW1H 0NN before 21st April 1993. The Secretary of State will not determine the application until after considering any representations made to him before that date.

The Continental Insurance Company Limited is a company registered in the United Kingdom. The transfer of business will be effected by way of a deed.

19th February 1993

NORDBANKEN

(Incorporated in the Kingdom of Sweden)

U.S. \$90,000,000

Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 22nd February, 1993 to 23rd August, 1993 has been fixed at 8.09375% per annum.

The interest payable on 23rd August, 1993 against Coupon No. 4 will be U.S. \$90,807,281 per U.S. \$1,000 nominal amount.

Facial Agent

ROYAL BANK OF CANADA

ART GALLERIES

MAKING A MARK An exhibition of drawings by invited artists. 23-27 February, 10am-5pm daily. MALL GALLERIES. The Mall at Trafalgar Square SW1. Sponsored by J.C. Rathbone Associates Ltd and the F.B.A. Must works for sale. Tel: 071 300 8844

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The offer - a generous rent reduction in return for surrendering a small amount of office space - was too tempting to refuse. But as the head of the London-based services company who negotiated it explains, the deal with his landlord involved sacrificing an in-house gym.

"I can't remember any other issue on which our employees felt so strongly," he now admits. "It was only when we secured corporate membership of a nearby health club that the rebellion was finally quelled."

The story is perhaps a salutary one for companies tempted to cut the size of their financial contributions to staff sporting, recreation and health facilities. Such perks are often justified on the grounds of improved employee motivation - but by the same token management

which take the benefits away risk a disgruntled workforce. There is little evidence that head office accountants are seeking to prune their employee sports and health budgets (as distinct from sports sponsorship budgets). A poll of 10 randomly selected large British companies this week revealed that boardrooms are certainly seeking to get better value-for-money and better usage of corporate facilities - especially those lavish sports grounds for traditional team games owned by the big banks and oil companies. If anything, though, the trend towards encouraging staff fitness and providing "lifestyle consultation" packages seems to be growing.

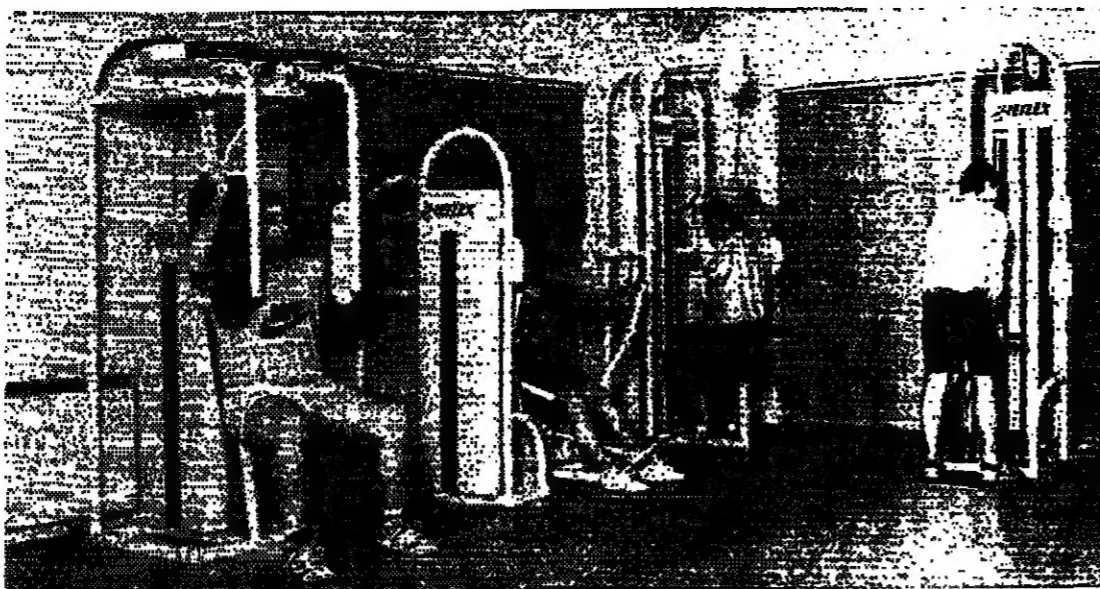
Fitness for Industry, a London-based specialist consultancy 51 per cent owned by the Forte hotel group, says demand for its corporate fitness centres has seldom been greater. In the last six months FFI has opened five new in-house fitness centre projects, including one for the international oil group Conoco at Warwick and one for Vauxhall Motors at Luton.

Many companies are either reluctant, or unable, to disclose the overall cost of their employee sporting and fitness amenities. Exceptions include BT, whose annual sport and

This month's emotional rugby victory by Wales over England seemed a good moment to test the thesis that national sporting triumphs give business a boost. The evidence from the principally is inconclusive.

The most authoritative word comes from Ken Jones, who played in the centre for Wales 14 times. Now he is managing director of Takiron at Caerphilly, the first Japanese company to arrive in Wales in 1972.

"Yes, a result such as the one with England gives a great boost, especially to morale. And a happy



British Aerospace employees pump iron at the company's new sporting facility in Farnborough

Office work-out

Staff fitness is to be encouraged, writes Tim Dickson

recreation budget is about £1.25m, and Prudential Assurance, which reckons it spends around £200,000-£300,000 in the London area. BT says its spending on employee sport and recreation has fallen in the wake of job cuts and general cost reductions; the Pru has stopped using a west London sports ground because of low attendances (due to staff concentrations elsewhere); while National Westminster Bank, which owns two vast sports grounds in south London, wants to make one of them more cost effective through non-staff membership and more extensive outside use.

Underlying different corporate strategies is the realisation that employee needs are changing. The leisure revolution has opened up numerous opportunities in the last few years for individuals to pursue their own interests, with the result

that company regattas and sports days - with prizes presented by the chairman's wife - now seem anachronistic. Boardroom thinking increasingly reflects the view that a fit workforce is potentially more productive.

Such a philosophy is much more widely accepted in North America, where groups such as Du Pont and the Canadian Life Assurance company have reported reduced absenteeism and lower staff turnover in the wake of corporate fitness programmes.

Pacific Railroad found that 90 per cent of its workforce believed their exercise programme made them more productive.

FFT's marketing manager David Parks believes that companies are moving from the position where they know the health and well-being of their workforce is important

to doing something about it. In part he attributes recent demand to industrial relocation projects planned in happier times which are being implemented as part of a corporate cost cutting exercise.

"A health centre is often an integral part of a relocation package", he says. Most of FFT's programmes incorporate a strong medical dimension; in Vauxhall's case Parks says the company found a latent demand for more health-related activity, as opposed to traditional social pursuits like darts and snooker. Team building and better internal communications are useful spin-offs from corporate fitness programmes, adds Parks. "There is nothing better for breaking down barriers than a director and a secretary working side by side on different pieces of equipment," he suggests.

Byron Samuel, operations director for South Wales Electricity, is sceptical that the Cardiff Arms Park euphoria could translate into higher output. It was impossible to quantify what happened the following Monday and attribute it to the match, he said.

In Wales rugby has contributed to economic growth through its links with Japan, from where investment has poured into the country. Welsh rugby teams nurtured the game in Japan and made the name "Wales" known there.

Anthony Moreton

Linking sport with productivity

worker is usually a better worker than a disgruntled one. But industry is highly automated now and the ability of the worker to increase his own productivity independently is restricted. In a highly labour-intensive industry it is just possible there could be a surge of output. The reality, though, is that everyone feels better, it's a little easier to go to work, and to give

more undivided attention to work while there." Meirion Lewis, Welsh director of the Institute of Directors, said a good result gives an industrial lift. "In Wales, rugged permeates all levels of society. A win imparts confidence and if we can get the rugged right it provides a more optimistic outlook to the other things in life."

Christopher Lorenz

An affair which refuses to become a marriage



IN THE characteristically blunt words of Sir Alastair Morton, Eurotunnel's chief executive: "The British and the French have fought each other for a thousand years".

Their business and financial cultures are also virtual opposites. So it is not surprising that they find it hard to handle cross-Channel corporate marriages and joint ventures. All too often the two "partners" war constantly with each other until one side - usually the French - emerges victorious.

That may seem a caricature of a set of very complex relationships, but it is uncomfortably close to the truth. Witness two events this week: the long-awaited decision of Britain's MB-Caradon, successor to the old Metal Box company, to seek shareholders' authority to sell out of its packaging joint venture with Carnaud; and a frank speech by Sir Alastair, whose organisation is one of the few shining exceptions to the general rule.

Take Eurotunnel first. It has had to overcome a legion of differences between the French and British ways of doing business. Sir Alastair told a conference in London. These ranged from contrasting approaches to the control of capital expenditure, to an entirely different attitude to meetings. Whereas British managers attended them to thrash out decisions, he said, "the French go to find out what the boss has decided to do".

That Eurotunnel has bridged such gaps is due, above all, to the openness and trust which Sir Alastair and his opposite number established early in the venture. But his remarks were based on more than just personal experience. A long line of business school research studies, at both Limburg in the Netherlands and Insead near Paris, has put the UK and France at opposite poles on a whole range of cultural measurements.

In common with the Dutch, Swedes, Canadians and Americans, Britons feel relatively independent of their bosses, for instance. But the French do not. Likewise, the Anglo Saxons and North Euro-

peans are much better than the French at tolerating uncertainty - including over their own position in a hierarchy.

Virtually the only similarity is in the degree of individualism, where the French score almost as highly as the British. But for the French this is associated closely with an individual's official, or "positional" power, points out Philippe Haspeslagh, an Insead professor who specialises in mergers and acquisitions. "In the UK an organisation is more a set of relationships in which you earn the right to manage."

That is only the start of this generally sorry saga. Consider, next, the chequered history of takeovers and mergers.

A long line of business school research studies has put the UK and France at opposite poles on a whole range of cultural measurements

regardless of nationality. A spate of consultancy and academic studies suggests that the average success rate of all types of takeover is only around 40 per cent - and that includes the many straight acquisitions where one side is clearly in charge from the start.

Even where the partners to a merger or joint venture are in closely related activities and markets, problems frequently occur because they have very different corporate cultures and styles of operating. It was this discrepancy, at least as much as national differences, which caused many of CarnaudMetalbox's early internal problems.

The neutral German-American who was brought in to run the group in late 1981 said the Carnaud managers were used to a "naively decentralised" style, while Metal Box had leaned too far in the other direction.

Such problems can also be exac-

erbated when, from the very start, one partner sees its exit as a possible or even probable outcome. As Haspeslagh says, this is often the attitude of the UK side in a Franco-British venture.

Whereas the UK partner is frequently a public company, with a price at which its shareholders will ultimately sell almost any part of their business, the French side tends to be a holding company controlled by a family - and its supporting banks - for whom the enterprise is not an Anglo-Saxon dividend machine, but a method for leveraging industrial power.

The most notorious recent example of the Franco-British gulf in attitudes to investment and profitability was last year's fracas at the Arjo-Wiggins Appleton paper combine.

This involved a tangled web of issues, including the sacking of the British chief executive and the apparent ability of the French shareholder, with only a 39 per cent holding, to dominate the board.

With an attitude to the share price which was cavalier in Anglo-Saxon terms, but prudent to the French, the result was a completely unexpected dividend cut which sent UK stockbrokers into apoplexy.

In stark contrast is the relatively sunny short history of GEC-Alsthom, a nominally equal partnership in power engineering. Here, the French now occupy the two top jobs and three of the top five. It would be facile to say that the French are completely dominant, but it must be doubtful whether the partnership will develop the ideal culture: one entirely of its own.

Some people claim this has occurred at the company's great Swedish-Swiss rival, ABB, although it actually feels far more Swedish than Swiss.

If a truly equal partnership is impossible even between such partners, what hope is there for the French and the British, whose forms of capitalism and culture are so very different? The lesson may be that, with occasional exceptions, the two cultures are better at having affairs than at staying married.

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Much the same as you, no doubt.

Christina Lamb flew into uncharted Amazonia to discover the fate of a Stone Age tribe living on top of one of the world's richest deposits of gold, uranium and diamonds. Now, the gold-seekers are pouring into the territory with their shovels and guns, their rum, their lust for women and, worst of all, their diseases.

John Authers assesses bond funds which invest in gilts to give savers an income.

Gerald Cadogan looks at the implications for foreign buyers of the UK's leasehold reforms.

What is the FT getting up to this Weekend?

Jancis Robinson discovers some funny things about the way the Belgians take wine, but not half as funny as the things the Belgians discover from her.

Nicholas Woodworth runs into a firefight at Cambodia's famous Angkor Wat temples.

Catherine Stott joins the super-rich aboard one of the world's most expensive cruise ships. But Michael Skapinker explains that inexpensive cruises have become so popular with younger people that you might want to know how to avoid them.

And so it goes...

Weekend FT
Saturday February 20th, 1993

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Like Pallas Athene, studio glass has been fully armed. It did not emerge out of a workshop held at the University of Wisconsin in 1962. The aim was to see whether techniques could be developed that would enable an artist to work in glass in the intimacy of a studio. Within a decade, over 100 glass programmes had sprung up in the art schools of the US, and the implications for glass-making were being felt across Europe and Japan.

In 1965, Sam Herman arrived in Britain from Wisconsin and his teaching, first at Edinburgh and then at the Royal College of Art, inspired a new generation to take up the blow-pipe. Given that Britain had no real tradition of artists or designers working with glass manufacturers, as in Sweden, France, Italy and Czechoslovakia, the vigour of the studio glass movement in this country is all the more remarkable.

Contemporary British Glass at the Crafts Council surveys the achievements of the last 25 years. It is an eye-opening, but also a perplexing and disappointing show. Appropriately enough, it opens with Herman's "Green and Gold Bottle", a free-blown, organic-looking form that both illustrates the appeal of manipulating bubbles of molten glass and reveals why the majority of glass-makers have turned to more controlled "warm" or "cold" glass techniques.

There is a beguiling purity about the glass made in the 1970s. The American-born Steven Newell delights in contrasting transparency and opacity in his clean-cut translation of a Mannerist *Wunderkammer* object, a "horn" cup and cover; and formal and technical purity combine in Pauline Solven's sculptural "Three Reed Stems". This was an exciting period of technical innovation and experimentation in hand-blown, engraved, enamelled, sandblasted, etched and casted. Virtuous effects predominate, ranging from Peter Layton's exquisite mottling to Diana Hobson's paper-thin mosaics of textured *pâte-de-verre*.

After such refinement, the strident colour, heavy curves and triumphant scale of the 1980s comes as a rude shock. Vast, wobbly goldfish bowls of streaky colour and self-conscious conversation pieces such as Steven Proctor's pretentious "Momentum" now seem as dated as fluorescent



Steven Newell's 'Little Fox', 1991: blown, cast, sandblasted and polished

Blown out of proportion

Susan Moore looks at contemporary British glass

globular lamps and squidgy PVC chairs.

One might have expected some sense of direction to emerge in the recent work, which accounts for half of the show. Interesting technical experiments continue, particularly in the combining of techniques and media. Pauline Solven, for instance, builds colourful patterned structures out of mould-blown units that are sewn, reassembled, sandblasted and etched - and are not so unlike some Elizabethan Fritsch ceramics. Keith Cummings and Anna Dickinson often combine glass with metal. Tatiana Best-Deveraux glass with ceramic.

The problem here is that too few makers know what to do with their skill and ingenious effects. At one extreme are the intricate pieces that degenerate into over-fussiness, at the other are forms that simply do not know when, or why, they should end.

The quest for significant form has not, however, escaped the contemporary glass-maker. The modest group of black, African-inspired vessels on show by Anna Dickinson have a rare presence and quiet power. There is a similar assurance of handling in Steven Newell's boldly chased charges.

What is striking about a lot of recent work is a new emphasis on content and allusion: glass can no longer look like glass but has to be manipulated and camouflaged to the point where it might be any other material. I cannot see the point of, say, David Reekie's lost-wax cast figures of men poking their heads out of windows; and what does one do with whimsies such as Diana Hobson's feather-tipped mixed-media "Rainbow Jester" other than invent some kind of Post Modernist whatnot on which to display them?

What the last 25 years have

shown is that it has not been practicable for a glass artist to work in splendid isolation in his studio. Studio glass still has an extremely small market and, apart from Pauline Solven who has had her own studio since 1976, the most successful enterprises seem to be small co-operatives like Covent Garden's The Glasshouse, where commercial ranges offer an alternative to one-off pieces.

But this show has concentrated solely on one-off, domestic-scale pieces. Part II, which surveys the emergence of large-scale, sculptural and architectural glass, is scheduled for 1996.

Contemporary British Glass continues at the Crafts Council, 44a Pentonville Road, Islington, London N1, until March 7

Ballet/Clement Crisp

The Firebird

ity - and with Svetlana Berio-sova an exquisitely beautiful (and Russian) Tsarevna, we saw how our national company might restore some of the lost splendour of the Ballets Russes. (Subsequent revivals of *Les Noirs*, *Les Fiches* were further proof of this.)

The return of *Firebird* to the repertoire last week was disappointing, a routine and unthinking revival. After four decades, the spirit of the piece seemed lost. There was no magic in Katschey's garden at curtain rise; both lighting and set looked dingy. Company performances, with the exception of Fiona Chadwick's *Firebird*, were lifeless. Katschey's horde had been rehearsed in "manicured" and the group of Enchanted Princesses smirked relentlessly beneath their tangled locks.

That the ballet is not beyond redemption was proved on

Wednesday night when Nina Ananiashvili made her debut as the *Firebird*. Despite an uninvolved production, Ananiashvili found in the choreography a central image which is the key to a role. *Bolshoy* training gave her reading a spaciousness of theatrical and dynamic effect, so that steps, phrases were burnished, glowed, and commanded the air. The bird's emotions - pride, fear, pleading, her power over evil - were found in the movement, and grandly presented to us. An essential nationalism in Fokine's choreography was clear as never before with the Royal Ballet, and a central truth about *Firebird* as an example of Russian art was re-affirmed. And, in poses of Ananiashvili's head, we can see a passing resemblance to photographs of Karsavina's dark-eyed beauty in this role. This was a true balletic interpretation, of a kind the Royal Ballet no longer chooses to show us.

It is good to report that Stuart Cassidy was a finely promising Ivan. He has the simplicity of manners that are right for this peasant-prince, and the proper aristocracy for the marriage-scene, culminating in the final raising of his hand - one of the most potent and most beautiful gestures in all ballet. Mr Cassidy did not cheat it of its force. Derek Bencher's Katschey is a study in reptilian malevolence and devilish humour, and is perfect.

As a modish note, I record that the Opera House programme includes two full-page and unattractive photographs of Viviana Durante, and, though the subject's head and face are obscured, gives credit for "hair" and "make-up". How fascinating. How rewarding as news. But what about her toothpaste?

Nina Ananiashvili will be seen again at Covent Garden as The Firebird on March 18

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Nina Ananiashvili will be seen again at Covent Garden as The Firebird on March 18

Nagano's triumphant Mahler

Concert/David Murray

Even 25 years ago, Mahler's Symphony no. 3 was heard only slightly more often than his Seventh - which is to say, hardly at all. Together they counted as his *symphonies maudites*, too "problematic" to earn regular performances. Then the Third began to enjoy the attention of a few mature Mahler conductors, with some memorable results - and therewith too of ambitious but less practised maestros, in whose hands the gigantic first movement could seem arbitrary and brutal, and the final Adagio sentimentally, intolerably drawn out.

Kent Nagano, who took the London Symphony through the work at the Barbican on Wednesday, cannot be all that practised. Many another young conductor with a reputation in contemporary music has reached back to Mahler by way of expanding his range, and thus his career, and has come a cropper. When Nagano offered a Mahler Ninth with the LSO a few years ago, however, it was a precocious triumph of musicianship, and plainly of respectful, assiduous attention to what the likes of Horenstein and Bruno Walter made of the score. This time he did no less with the Third.

And even more: for there is really no "definitive" reading of the Third, what with its patchy public history (and its

exacting budget - large orchestra, women's and boys' choirs for just one movement and a strong alto soloist for two, unthinkably costly rehearsal-time). At the end of the day, a conductor of this work must sink or swim on the precision of his own musical instincts. Nagano's were faultless.

Later, no doubt, he will define a "larger-scale impulse in the opening 'Kraftig', and develop a finer chiaroscuro for the wry grandfathers' dance 'Tempo di marcia'. For now, he gave us far more than enough to be going on with. That cataclysmic initial movement had a barely leashed, tooth-and-claw power and an ironical feel for municipal-band sound, where many an international name (I forbear to name them) engineers a mere sequence of noisy assaults.

Nagano wound up the *Knaben Wunderhorn* scherzo to a wry height, and gave impeccably sensitive support to his alto - Birgit Remmert, a towering 27-year-old who may well be the leading Erdä in Wagner's Ring for the next generation - in her Nietzsche soliloquy. The "Angels" movement found the LSO women's chorus brisk and clear, and the Southend Boys' Choir as boyishly apt as they always are in this work (a bit eerie, that, since in the nature of things their personnel must always be short-term members).

The Adagio reached a glorious apotheosis. Nagano paced it unerringly, from the first bated-breath melodies to their grand final dress. Each *subito pianissimo* in the flowing line clutched at one's heart; every new plateau was attained by cogent steps. For the first time in my concert experience, the grandiose, repetitive last pages were a mighty culmination instead of an over-insistent redundancy.

Ingeniously, Die Leinwand had been recruited to preface the lengthy symphony with a half-dozen Weill songs. She is a class act, supremely *schlank* and importantly appealing in her little black dress, very high heels and husky mezzo. Some of my colleagues object to the voice; I thought it served her material very well, and well in tune.

What Leinwand lacks, simply, is music-theatre experience without the aid of a microphone - vocally character-building to an irreplaceable degree; and yet, so far as one could judge in the Barbican (where she may have had an unfamiliar mike), less sophistication in her address to it than many a straight pop-vocalist can boast. Her lively intelligence struck through nevertheless, and her performances struck home. It was a pity that her German texts in the programme-book were so badly proof-read and garbled.

Fringe theatre in London

Out of the Ordinary

This new play, for only two people, is a comedy about a woman's need to be (a) dependent on (b) independent from a man. Less obviously, it also concerns a man's need to be (a) independent from (b) dependent on a woman. The breakdown of a relationship, and of both people's nervous systems, is just around the corner throughout. Meanwhile, the woman's nerve is in the foreground. She is irritable without him; she can't work without him; she can't go outside without him; can't go outside with him.

Not all of this is funny, or meant to be. And the play's skill lies in its ambiguity of viewpoint. Much of the time, the woman, Betty, is enough to drive anyone crazy, whereas her man, Brian, is a model of new-man patience.

Occasionally, though, you feel that her neurosis is a lot more interesting than his endless courtesy. You also start to feel that he is actually the more passive of the two; and that he needs her more than she him; even that his very reasonableness is a safe facade he dare not drop.

Certainly his petty lies and conventional euphemisms enrage her. He comes back from having an over-long drink with a friend who "kisses his love," he pretends he hasn't been smoking, and then he asks about her evening. "The Chippendales popped round," she snaps. "They fucked me senseless." They send their love as well.

Her rudeness is out of all proportion - yet you sympathise. Or do you? She is terribly lifelike, and yet wholly absurd. She forever makes impossible demands of him: even "You don't pull

down the barriers I put up for you."

An incidentally remarkable feature is that the same woman, Debbie Isitt, is the writer, director and actress. She plays Betty as a rapidly mumbling or whining Brummie who seldom gets out of pyjamas; Brian (Mark Kilmurray) is a more lucid speaker, a more natural communicator - altogether more wretchedly normal. He gets things done; she cannot even post a letter for him. She insists, however, that for all her panicky incompetencies, she is capable: "I could handle anything if it actually happened. It's just the thought of it that I can't stand."

The scenario at first seems so thin, and so nearly maddening, that you think "This isn't enough for a play." Soon, however, the absurd claustrophobia of the

relationship becomes so all-important that any sub-plot or extra characters would only weaken its fabric. Eventually, we see that there is a plot; that somehow the relationship has to change.

Betty isn't a little housewife; she is a modern woman with a career of her own as a critical writer. The play interweaves her relationship with Brian with her feminist scrutiny of the male/female relationships in Hitchcock films. Here is one element that is too thinly fleshed out; Brian's work life is another. *Out of the Ordinary* is only 90 minutes long, and one of the best things about it is the way it ends - not with a feminist bang but a male whimper.

Alastair Macaulay

At the Theatre Upstairs, Royal Court

John Osborne's 'Luther'

In a week of early 1960s London revivals, the one that stands out is John Osborne's *Luther* at the Hen and Chickens Theatre in Islington. Here is a very well-written, serious, intelligent piece that should not have neglected for so long.

The play was first performed at the Theatre Royal in Nottingham, then at the Royal Court in London, in 1961 when Osborne's reputation after *Look Back in Anger* and *The Entertainer* was at its height. Albert Finney played Luther. There was much discussion at the time of the apparent thesis that the dissident priest was influenced by trouble with his bowel: he was said to be an anal neurotic. Finney dominated the production.

Today *Luther* looks a gentler, wiser, more thoughtful play, more about society as a whole than one man's anger. Two thoroughly tenable propositions emerge. One is

that by challenging the catholic church so savagely on its selling of indulgences, Luther set faction against faction in a way that benefited no-one. The other is that he was the founder of German power.

As Staupitz, the Vicar General of the Augustinian Order, remarks of Luther's resistance to the ways of Rome: "The world's changed. For one thing, you've made a thing called Germany; you've unlearned a language and taught it to the Germans, and the rest of the world will just have to get used to the sound of it... You've made the body of Europe... All I beg you is not to be too violent."

There is no hostility in that comment, just an acceptance by Staupitz, played here as a generally wise old man by Patrick Godfrey, that Germany is on the way up and Italy is on the way down. Note, too, the use of the word "unlearned";

not "unleashed" or anything savage like that, just a gradual process of evolution from Latin to German. This is Osborne writing with precision language and a remarkable grasp of history.

Ben Welden's Luther is on the whole a sympathetic figure: not because he is a rebel whom everyone outside the catholic hierarchy knows is right, but because he evidently suffers from self-doubt. At the end he admits to Staupitz that he really was not sure whether his denunciations of the church were fully justified. True, he suffers from constipation, but this is not central to the interpretation of the character. Welden's performance gains by not trying to take over the play.

Some of the speeches are very long; there is very little of the customary Osborne knockabout. Yet here again is a tribute to his writing: he has mastered his material and

there are fine distinctions of character both within the laity and the clergy. The one set-piece that might just remind you of *The Entertainer* is Tetzel, the Dominican Inquisitor cheerfully selling indulgences in the market square. The part is wonderfully played by David King.

The production comes from the Operating Theatre Company directed by John Link. It is now managing the Hen and Chickens Theatre. The next stage in a pub theatre like this must be to improve the physical conditions. Stifling enough for the audience, they must be almost unbearable for the actors - particularly those in *Luther* wearing heavy clerical robes.

Malcolm Rutherford

Hen and Chickens, London N1 until March 13. (071) 704 2001



Michel Lacroix's farewell show as director of the Louvre in Paris is *The Century of Titian: the golden age of painting in Venice* (opening tomorrow, till May 31). It is a large exhibition, with 135 paintings and 140 drawings and engravings. Lacroix has chosen to examine how Giorgione and Titian defined Venetian painting throughout the 16th century, and insists it is a show about Venetian civilisation, of the sociologically oriented type now fashionable.

At the heart of the exhibition are eight of the 14 Titians in the Louvre's own collection, which have recently been freed of their dark varnishes and retouchings. These include Christ crowned with thorns, St Jerome, Woman at her toilet and The Supper at Emmaus. After the controversy surrounding the Louvre's recent cleaning of Veronese's *Wedding at Cana*, the results of the Titian restorations are awaited with

intense interest - not least by scholars eager to see how these hitherto heavily obscured works will measure up to the rest of Titian's oeuvre.

The exhibition opens with late Bellini and the early 16th century, followed by Giorgione and the young Titian, and a series of drawings newly attributed to Giorgione. There is a further section devoted to Titian in his maturity and his influence on Tintoretto, Veronese and Bassano. Other groupings focus on Veronese, Titian's later drawings and the tragic subjects of his final phase. Important loans have come from the Prado, the Metropolitan, the Hermitage, the Galleria Borghese in Rome and the National Galleries in Washington and London among others. There are a few major gaps, such as the Duke of Sutherland's Titians and some Giorgione paintings held back by museums in Dresden and Vienna. But Lacroix has managed to assemble all the half-figures by or attributed to Giorgione, and says that in his overall choice, he has simply aimed for the best.

EXHIBITIONS GUIDE

AMSTERDAM
Van Gogh Museum From
Pissarro to Picasso: French
colour etchings. Ends
April 18. Daily
Rijksmuseum Art, Expertise and

Trade: a behind-the-scenes view of the trend-setting early 20th century gallery of J H de Sois.

Ends May 2. Also North
Netherlands Art 1580-1820.
Ends March 7. Closed Mon
BERLIN
Bauhaus Archiv Henry van de
Velde: retrospective of the
Belgian painter, architect,
designer and teacher, a key
forerunner of the Bauhaus style.
Ends April 18. Closed Tues
(Museum für Gestaltung,
Tiergarten)

BRUSSELS
Accademia Italiana Riccardo
Cinalli: large-scale pastel
drawings on tissue paper. Ends
March 14. Daily
Hayward Gallery The Changing
Condition of Sculpture 1965-75.
Ends March 14. Daily
Royal Academy of Arts The
Great Age of British
Watercolours 1750-1880. Ends
April 11. Daily

NEW YORK
Museum of Modern Art The
Drawings of Joseph Beuys
(1921-85): retrospective of a
central figure in postwar German
art, whose radical social ideas,
political goals and art forms
have never had much appeal
for American taste. The
exhibition brings together 200
examples in a variety of
media, including pencil,
watercolour, oil and collage,
and has as a centrepiece an
installation of 100 blackboards
created by the artist in 1974-7.
Ends May 4. Closed Wed

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(b1923): 30 works by one of the
pioneers of Pop Art. Ends April
18. Closed Mon

LONDON
Tate Gallery Robert Rymen
(b1930): a survey of the career
of the American Minimalist noted
for the white paintings he has
been making for nearly 40 years.
The exhibition consists of 81
canvases and other works of
art, including a series of black
paintings dating from before
1960. Ends April 25. Also
Visualising Masculinities: the
male body in art since the
mid-19th century. Ends June 6.
Turner's Final Years. Ends May
17. Daily

PARIS
Centre Georges Pompidou
Matisse: opening next Thurs,
this is a re-shaping of last year's
exhibition at the Museum of
Modern Art in New York. It
includes 130 oils and most of
the sculpture from the years
1904-17, and celebrates the
artist's new vision based on an
exposure of colour in grandiose
compositions, ranging from the
Fauve period to his first stay
in Nice. Ends June 21.
Closed Tues

PARIS
Musée d'Orsay 1993: The Europe
of Painters. Opening next Wed,
this exhibition brings together
100 paintings ranging from
French Impressionists to
English, Norwegian and Belgian
Symbolists and Italian and
Russian Realists. It illustrates
the free flow of ideas between
European countries a century
before the 1993 opening of
frontiers. Ends May 23. Closed
Mon, late opening Thurs (just
Anatole France)
Louvre French 17th Century

BROOKLYN MUSEUM Leon Polk
Smith: 27 paintings and works
on paper spanning the 50-year
career of the American pioneer
of postwar abstract art. Closed
Mon and Tues
Metropolitan Museum of Art
Christopher Dresser: an album
of drawings by the late 19th
century British industrial
designer. Ends April 4.
Closed Mon

GAGGENHOF MUSEUM Photography
in Contemporary
German Art. Ends May 9. The
main museum is closed on
Thurs, the SoHo site on Tues
PARIS
Centre Georges Pompidou
Matisse: opening next Thurs,
this is a re-shaping of last year's
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frontiers. Ends May 23. Closed
Mon, late opening Thurs (just
Anatole France)
Louvre French 17th Century

1989. Ends March 21.
Closed Mon

VIENNA
Albertina Albrecht Dürer: three
of the great woodcut series by
the German Renaissance
engraver and illustrator - the
Apocalypse, the Life of the Virgin
and the Passion. Ends April 25.
Daily
Kunsthistorisches Museum The World of
the Maya: 300 exhibits which are
intended to evoke the lost
civilisation of the ancient central
American people.
Ends June 27. Daily
Kunsthistorisches Museum The World of
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On the face of it, Jean-Luc Lagardère has shown amazing powers of recovery. In the 1980s he managed to steer a bumpy path as chairman of two French groups with illustrious names but very little else in common: Matra, thrusting missile, electronics and transport equipment manufacturer, and Hachette, venerable and far-flung publishing empire. Mr Lagardère stayed in the driving seat as Matra was part nationalised and then denationalised. His enthusiasm for adventurous new business always raised eyebrows.

Some of his initiatives, such as a foray into watchmaking, mistimed. But those flops were nothing compared with what was in store in the early 1990s, "the big accident", as Mr Lagardère calls it - Hachette's investment in the La Cinq television station, which folded last year, leaving the publishing group with an exposure of FF3.5bn (\$440m).

He has since succeeded in recapitalising Hachette, merging the two groups, still under his chairmanship, into Matra Hachette, and recasting the holding company, which is the combined group's main shareholder, in a way that makes his own position virtually unassailable.

Mr Lagardère is still the dashing entrepreneur with the permanent tan, starry-eyed about new technology. He is an outsider to France's mainstream political and business establishment, drawn from more elitist *grandes écoles* than the *École Supérieure d'Électricité* where he graduated as an engineer. Matra, a postwar creation, has always been a *parvenu* on the French industrial scene.

But Mr Lagardère is now 64. It is 30 years since he joined Matra as managing director. He talks of younger generations of managers, of the "après moi".

Above all, he is chastened by the past year's experience. He has promised no more long-shot ventures. "I am not going to make 30-year investments. You have to have your return sooner." He confesses that for the first time in his life he is giving top priority to profit. Flanked by a high-powered "group executive and strategic committee", he is trying to rebuild his credibility in a financial world of which he is deeply suspicious.

He confidently predicts a tripling of Matra Hachette's net profit by 1996, from last year's FF350m to FF1bn - although

After the accident

Jean-Luc Lagardère, chairman of Matra Hachette, talks to David Buchan and David White



Confident: Lagardère predicts tripling of net profit by 1996

that would still be less than 2 per cent of sales. By then, he says, if it makes no more big acquisitions, it will wipe out its debts of FF3bn. The merger will bring "big reductions" in administrative staff in the group, which employs around 60,000. But, Mr Lagardère adds: "That is not something one boasts about."

To argue the logic of an industrial grouping ranging from airborne missiles to *Elle* magazine is something of an intellectual challenge. Defensively, Mr Lagardère cites the example of General Electric of the US, with its NBC television network. The activities of Matra and Hachette converge in the field of electronic media, a target for future investment. Both sides of the group serve a wide range of overseas markets. And people will take a company more seriously when it can show, as Matra Hachette does, annual sales of \$10bn.

For Mr Lagardère's critics this is sophistry, an attempt to portray the merger as something other than a rescue, a way of drawing on Matra's

cashflow to ease Hachette's debt burden. The merger prevented the need for a fire sale; it enabled Mr Lagardère, as the French say, to save the furniture.

Despite the television fiasco, he says he would have been in a position last year to sell control of Hachette for seven or eight times the price he paid when he took it over in 1980. But Mr Lagardère is far too attached to his role as media mogul for that.

What the two sides of the group have in common are famous names. Its media interests range from *Woman's Day* magazine in the US to the Europe 1 radio station. Matra has always had prestige products, ranging from the Mistral, France's answer to the US Stinger portable missile, to automated metro systems.

For a time Matra also had a football club, Matra Racing de Paris, and in the 1960s and 1970s played a prominent part in Formula 1 racing, which Mr Lagardère says brought it "a fantastic image".

It was in television that Mr

Lagardère finally overreached himself. In 1987 he lost to the Bouygues group in bidding to take over the TF1 station. The new channel, auctioned in 1990, was his last chance.

"La Cinq was an absolute booby-trap for us. The snare closed on me completely," Mr Lagardère says. He has no plans to return to television. "In my life I have made every kind of mistake. I never made the same mistake twice."

He wants to build on current activities where the group already holds a leadership position - including the Espace family vehicle which Matra makes for Renault. It has pooled its space activities with GEC-Marconi's and is looking for a European partnership in missiles. Arms, Matra's original business, may in a couple of years be overtaken in importance by urban rail systems, Mr Lagardère says.

His attachment to the idea of Matra Hachette's "nine professions" - missiles, space, cars, urban transport, telecommunications, books, newspapers, distribution and broadcasting - typifies what Anglo-Saxons often find a mystifyingly Latin approach. He bristles at the word conglomerate. He speaks of "the culture of the enterprise", of "development" rather than "growth".

The man who "more or less created" Matra has stamped his name on the holding company, now called Lagardère Group. His own shareholding in this company is only about 15 per cent. About another 30 per cent belongs to personal and business associates. But under the unusual structure of a limited equity partnership - *société en commandite par actions* - other shareholders delegate powers to him as general partner, appointed for six years. In return, Mr Lagardère assumes unlimited liability if things go wrong. He has put his money where his mouth is.

Mr Lagardère talks of making the business "unshakable". He does not want it to die with him. "I would like my group to stay around for a long time."

Something he shares with his friend Lord Weinstock, managing director of GEC, apart from their joint personal interest in racehorses, is having a son in his senior management team. What function the 31-year-old Mr Arnaud Lagardère will assume is still open. The chairman says, but "his role will be to guarantee the continuity of control of the group". Mr Lagardère père envisages stepping down. But not, he says, quite yet.

Joe Rogaly

Hooked on glory drug



The British government is cutting defence expenditure, expanding British military commitments, and doggedly refusing to ask the basic question behind this impossible equation. That question is: what is the proper role for a medium-sized nation shorn of its empire and much of its former economic strength?

You could argue that our contribution to the world's security should be enhanced. If so, the government should halt the present run-down in our military forces. Equally, you could say that a significant proportion of Britain's military spending is devoted to the miasma of national self-interest, or worse, to nostalgia. If that is the case, we spend too little now, and plan to cut too little in the future.

The conundrum seemed easier to think through when the Soviet threat existed. I remember a lunchtime meeting with the then Mrs Margaret Thatcher in her room at the House of Commons. It was, I think, 1976. Sir, now Lord, Keith Joseph was the other guest. As our hostess set about carving slices of ham the two of them set about public spending. Their knives swished through the air. Millions were chopped off this, that and the other departmental budget, until, quite quickly, the two founders of Thatcherism had saved a billion. In those days that was serious money. "What would you do with the billion?" I asked the then recently elected leader of the opposition. "Spend it on defence," she replied at once.

She did. Sir, became prime minister three years later. In 1978-79 the armed forces budget totalled £7.6 bn. By the time Lady Thatcher left office

in 1990 that cash outlay had very nearly trebled. In real terms the figure rose by 28 per cent between Labour's last year and 1984-85. The inflation-adjusted amount has since been declining steadily from the peak achieved in the mid-1980s. By 1989-90 British spending on defence was back to the equivalent in today's money of what was being laid out just before the Thatcher decade began.

This time, however, there is no overriding Soviet threat. Perhaps that explains why others are cutting their defence budgets faster than we are. In 1992 average military spending in Nato was 2.9 per cent of gross domestic product. The equivalent figure for the UK is expected to work out at 4.1 per cent. Even

France, at 3.6 per cent in 1990, is less ambitious than that. Germany is planning to cut its defence force by about 40 per cent. Belgium and the Netherlands, also Nato allies, are contemplating halving theirs. Britain plans a cut of one-fifth. Against that our wholly professional army, like that of the US, is more expensive than many of the Continental forces, which depend on conscripts.

Under President George Bush the US planned to reduce its outlay on national defence - down to 5.5 per cent of GDP in 1990 - by nearly 14 per cent between 1982 and 1995. The equivalent British reduction is 11 per cent. The additional cut proposed by President Bill Clinton in his state of the union message on Wednesday will further increase the rate of shrinkage of spending by the Pentagon.

This is not to say that

Britain is necessarily the profit-gate one. It depends upon what the money is for. The government's master plan is Options for Change, the name given to a review initiated in 1990. Lord Chalfont said in the Lords last week that when the results of this review were announced, "we were told that it was based upon fulfilling commitments to Allied Command Europe, the dependent territories, Northern Ireland, and the defence of the United Kingdom". Yet within months Britain was undertaking commitments in Yugoslavia and the Middle East "which were nothing to do with any of those four basic interests".

It is not clear to me why we maintain 46,000 troops in Germany, and will still have 23,000 when the current reduction process is completed in two years. Do we really need to keep 3,300 troops in Cyprus, let alone little support services around the periphery of the area?

Do we really need to keep support services around the periphery of the area? formerly coloured pink on the maps?

world formerly coloured pink on the maps? While the government thinks we do, there may be something in the argument by the select committee on defence, in its report published 10 days ago, that given what is asked of it Britain's army is more than fully stretched.

The trouble is that the committee does not question those tasks. Nobody does. The defence secretary, Mr Malcolm Rifkind, did not do so in last year's statement on the defence estimates. The foreign secretary, Mr Douglas Hurd, failed to do so in his otherwise thoughtful speech at Chatham House a few weeks ago - the one that began, "British foreign policy exists to protect

and promote British interests". Yes, but what is Britain's proper place in the world? Most of us can agree on the case for maintaining troops in Northern Ireland, the need to insure against direct attack upon ourselves, and the desirability of contributing to European defence forces, particularly through Nato.

The rest sometimes seems to be determined by what gets first place on the TV news. One minister has said, only half in jest, that "we are all human; we see an atrocity on the small screen and come into cabinet next day spouting about something that has done about it". Britain's role appears to be that of joint second policeman to Uncle Sam, with France in an equal position. This awkward squad is ever-poised to chase into every trouble-spot that manages to catch the popular eye. As Mr Hurd said, the UN knows of about 25 substantial conflicts going on now. "I suppose that world cameras cover 3 or 4 at a time," he added. This made it all very difficult. The foreign secretary has yet to state the government's criteria for choosing where, if anywhere, to send British troops.

The answer is, of course, gut feel, the product of a lethal mix. Start with ministers' sense of British history. Add a dollop of popular pressure. Pour in our pride in our nuclear power, our permanent membership of the United Nations Security Council and our prominence in most global organisations. Add a dash of undying allegiance to the US. Wash over with deep tribal memories of the days of empire, enhanced by dreams of a long string of past victories. It is such desires that Britain's Conservatives need to assuage, by means that Labour dares not thwart. Glory is an expensive drug. Britain is still hooked.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Arms sales: a sign of wider failure

From Prof Alexander Kennaway.

Sir, The request by Mr Kozirev, Russia's foreign minister, to share western markets for arms sales ("Russia offers US arms sales deal", February 18) is a desperate attempt to earn foreign currency. The reason is the failure of the commercial and technical competence within the former USSR to identify what potential customers at home and abroad want, and how to design, make and service such goods.

The remark that such income will be used to convert Russia's military industries is also not new and is also pointless. I have worked in many defence factories in the former USSR over the past few years and can testify that, whatever is needed to convert them, it is not large sums of money to buy new equipment. They have a lot of adequate machine tools and up-to-date western and Japanese production equipment - much of it under-used, misused and some still in its original packing cases outside in the yards.

Soviet, from Lenin onward, have had the illusion that salvation lies in new "technology". They treat it like a toy, whereas the heart of the matter lies in the urgent need to change the mind set and improve radically their business and technical competence in order to perform competitively and, indeed, to supply their own hungry markets.

Conversion of the defence industries depends on that first: without it investment will be wasted as it always has been in the communist command economy. Alexander Kennaway, 12 Fairholme Crescent, Ashted, Surrey KT21 2HN

Top managers should show the way in radical rethink on pay

From Mr William Wallace.

Sir, Shares can go down as well as up, and it is a sign of a bank and insurance company have warned me since the collapse of the 1987 financial "bubble". Can executive salaries do the same?

I have followed the debate in your columns on the troubles of the financial sector; the mistaken judgments which led to over-lending to property speculators and players of stock markets; the attempts to rebuild balances by increasing charges to customers; and the laying-off of junior staff. Entirely missing has been the question of whether the disproportionate increases in top salaries of the early 1980s, justified on grounds of the quality of judgment of senior executives, should be reversed.

I appreciate that a cut in

remuneration for board members and general managers would contribute only a little to redressing the balance of bank reserves and profits. But such a signal that top management recognises its share of the responsibility for the evident errors of the last decade, and is prepared to share in the cuts and added burdens of the 1990s as fully as it shared in the added profits of the 1980s, would do much to rebuild the battered confidence of staff and customers. No such signal has yet been given.

There is a wider point at issue. If the British economy is to hold to low inflation - as bank economists exhort - attitudes to salaries throughout the economy have got to change radically. No stronger signal could be given of the acceptance of radi-

cal change than a reversal of the continuing trend for top salaries to increase.

The Quaker families who laid the foundations for more than one of England's clearing banks understood the importance of gestures and symbols, and of demonstrating by the way they behaved the responsibilities they shouldered towards their fellow men. I fear that their descendants have lost sight of that sense of shared responsibility to the wider community. The impact on bank profits of a 10 to 20 per cent cut in board remuneration would be minimal. But think of the potential impact on the economy and on British society! William Wallace, 29 St James's Drive, Wandsworth, London SW17 7RN

Tax cap at 75% would help those in benefits trap

From Mr R A Ledingham.

Sir, It is reported that the UK government is prepared to "think the unthinkable" to narrow the fiscal deficit. Might I suggest that it considers taxing the incomes of the poor at 75 per cent? This would in fact be a reduction on the present maximum effective marginal rate of tax of 97 per cent on the earnings of those people receiving benefits.

It would require no more than a new class of income, taxed at 75 per cent and ignored for all other fiscal purposes, including entitlement to means-tested benefits. Such a cap on the effective marginal tax rate is one of the few ways of guaranteeing a means of escape from the benefits trap. If the rate at which we effec-

tively tax the income of those aspiring to leave the benefits trap were reduced from the present maximum level of 97 per cent there would be some incentive for the acceptance of part-time, low wage or occasional employment. It would at least give benefit recipients greater control over their own lives in a way that cannot be achieved by welfare.

The reported direction of the present review of social spending appears to pose a severe danger of further expansion of the benefits trap. Enlarging it without improving the means of escape can be described as, at best, unthinking. R A Ledingham, Rose View, Ethe, Oxfordshire OX6 9HD

Missing an HDTV trick

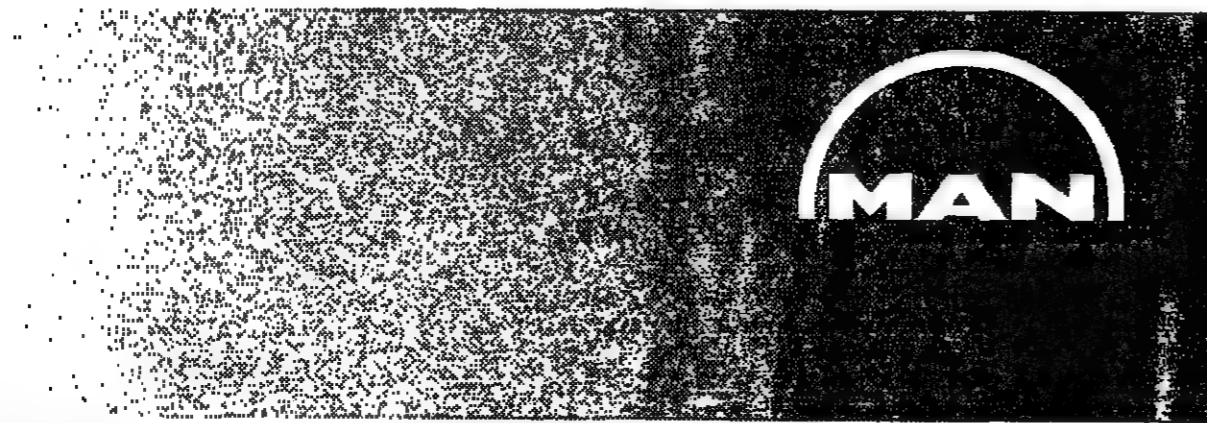
From Dr Brian T Evans.

Sir, Your article "Searching for a clearer picture of the future" (February 11) did not mention television's high definition television ideas are probably the best in the world, though their implementation lags the US. Americans who read my evidence on digital television - presented to the UK home affairs committee in 1988 - saw an opportunity, invested in it and are now looking for the pay-off. UK broadcasters took less notice; the EC supported HD-MAC.

US digital television has taken a lead from the Japanese, who encourage fast-track development by a mix of inter-company competition and co-operation. In a few days we will find out which of the four remaining teams of US engineers have designed the best new HDTV system.

We should spare a thought for the original front-runner in this race, the Japanese, who have paid royalties to the US for their own use of the existing 40-year-old American colour TV system. Ten years ago they set aside public funds to develop a home-grown HDTV system to redress this balance. The Europeans did the same. It would appear neither strategy has paid off because both camps have ignored newer ideas. Is public funding the common element that induces selective deafness in those whose creativity was once beyond reproach? Brian T Evans, Tonara Tek, 19 Cassiobury Park Avenue, Watford WD1 7LA

The MAN Group



The MAN group is one of Europe's leading suppliers of capital goods. MAN group companies are active around the world in the manufacturing of commercial vehicles, in the mechanical engineering and plant construction sectors and in trading.

MAN's vehicles feature advanced design and state of the art technologies. Also produced by the group's transport division are Diesel engines, propulsion systems and aerospace components. Another main activity of this division is the planning and building of complete transport systems.

In a number of product areas in the mechanical engineering sector - including printing presses, plastics processing machines, compressors, special propulsion systems and chemical reactors - MAN group companies are among the leaders in many of the world's markets.

MAN group companies build and equip entire manufacturing and processing systems, including such items as steel and rolling mills, Diesel power stations, chemical plants and environmental protection facilities.

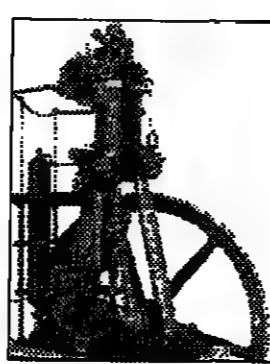
A comprehensive and concerted program of investment into the research and development of products and manufacturing processes has furnished the MAN group and its companies with the requisite innovations keeping them at the forefront of their markets and technologies.

This statement is as valid today as it was a hundred years ago, when MAN built the world's first Diesel engine. From 1893 to 1897 Rudolf Diesel worked with MAN's technical staff at the company's works in Augsburg to produce an operational model of his new engine. The final product has gone on to become one of the world's major success stories.

Today, the Diesel engine remains the most efficient and economical of all motors. One goal of MAN's engineers is to supply this world-wide favorite with even higher levels of operational efficiency and reliability, and with lower levels of environmental impact.

All told, the Diesel engines produced by MAN Nutzfahrzeuge, MAN B&W Diesel and their licensees since the turn of the century have provided the world's motor vehicles, ships and power plants with more than 335 million kW (or 455 million horsepower) of power. Today, nearly one out of every two modern, large-size ships plying the world's seas is powered by a Diesel engine developed by MAN B&W Diesel.

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A better beer

From Mr Christoph Ull.

Sir, With regard to your promotion "Enjoy Club Europe: two for the price of one - Vienna", I make this comment. The saying Gut, Besser, Goesser is not a typical saying of the Viennese. Goesser is a Styrian beer and Gut, Besser, Goesser is a slogan of the Steierbrau AG, a Styrian company, which produces and promotes Goesser Beer. As a Styrian I would like to invite you to Austria and taste the difference between the Styrian beer and the beer produced near Vienna - you will stay in Styria forever. Christoph Ull, Emmanuel College, Cambridge CB2 3AP

Time for a ferry regulator

From K D Shilleto.

Sir, Last year I wrote to the Office of Fair Trading regarding the huge and unwarranted increase in Dover-Calais tariffs in 1992. For passenger vehicles it was more than 30 per cent when inflation was below 10 per cent. Stena and P&O fares were almost identical. I suggested that this joint increase could only be explained by the ferry companies' intention to raise passage costs progressively so that they would roughly match eventual Channel tunnel fees.

The OFT rejected my argument, pointing that the ferries could only compete with the tunnel if they offered a substantial discount. This is naive.

Nobody knows what the tunnel charge will be but ever-increasing construction costs must be reflected in the opening tariff. If Stena and P&O find they have misjudged tunnel tariffs, they can lower their own without pain and claim virtue. In the meantime, they seek further operational integration to buttress profits.

Who is to say that a duopoly does not already exist and that the tunnel authorities do not welcome progressively higher ferry charges to justify and underpin their own? Is it not time for a regulator - Ofship - and to gear up for an Ofship? K D Shilleto, 2 Mulberry Close, Beaumont Street, London SW3

FINANCIAL TIMES

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Friday February 19 1993

Budget for the supply side

BRITAIN ISN'T working. Despite the rise in seasonally adjusted unemployment to just below 8m by mid-January, the Bank of England concluded in its Inflation Report out this week that the government's target range for inflation of 1 to 4 per cent is not secure. In any case, the question has never been whether a recession lasting nine quarters would lower inflation. The question is whether the UK can sustain non-inflationary growth. It is against this test that the Budget offered by the chancellor on March 18 needs to be judged.

What is needed is neither a Budget for business nor a Budget for jobs, but a Budget for the supply side as a whole. Such a Budget should not be designed to alleviate such and every business complaint. Nor can it be a Budget crammed with special incentives for supposedly worthy activities.

Macroeconomic stability should be at the heart of such a Budget. Instability leads to waste. The excessive investment in property development of the late 1980s was, for example, one fruit of the UK's long inflationary history. The government must offer a fiscal prospect that makes resort to inflation seem highly unlikely. Tax increases seem necessary. The sole alternative would be a dynamic recovery, combined with a credible programme of tight control of public spending. Either way the chancellor has no room for "giving" anything away. The only question is how much he will have to take.

No chance for reform

In view of this dismal background, comprehensive fiscal reform would create too many losers. But the fiscal predicament of the government also means that most of the many and varied pet schemes of business lobbyists – relief of surplus advance corporation Tax, higher first-year capital allowances, faster depreciation, higher thresholds for corporation tax, exemption from taxes on long-term capital gains, tax relief for export promotion, higher VAT thresholds, lower uniform business rates and abolition of inheritance tax – are also unlikely to be adopted.

The lack of opportunity for reform is a pity, mostly because of the absence of any chance for

coherent reform after the first year of a new parliament. The British tax system remains riddled with fundamental anomalies.

Notwithstanding the adverse background, a few changes may be helpful. Personal equity plans could be extended to include interest-bearing assets and Texas might be made more flexible. For business, depreciation might be indexed for inflation. VAT thresholds might be raised and the high rate of tax on capital gains might be lowered or, better still, rolled over relief might be offered. Nonetheless, the room for manoeuvre is small. The Confederation of British Industry argues its proposals would cost only £500m to £1bn and would be self-financing in the long term. A Treasury faced with a need to borrow more than £500m might regard this as petty cash, but even petty cash mounts swiftly up.

Fiscal buttresses

On one point the Treasury should be firm. It is true that there is double taxation of corporate income earned abroad because ACT cannot be set against foreign corporation tax. But ACT is really just an income tax. It is far from clear that UK residents should not pay income tax on profits earned abroad by the companies they own. If the result is to lower the incentive for corporations to invest abroad, so be it.

In the last resort, however, tinkering with taxation is secondary. The government has taken the actions most needed by business, which were to lower interest rates and let the exchange rate depreciate. The principal function of this budget is, therefore, to provide the fiscal buttresses for these changes in monetary policy.

The fate of business depends not on further fiscal hand-outs, but on its will to control its own costs, the most important of which is for labour. With the underlying increase in average earnings down to 4 per cent, things are beginning to look encouraging at last. But control over pay must continue well into the recovery. The fate of businesses lies in its own hands and – given the long-term link between pay and jobs – so too does that of the 3m unemployed.

This is the fourth of a series of leaders on the March Budget.

Mr Kohl faces the squeeze

THE ECONOMIC reconstruction of east Germany remains a severe problem – for Germany, its neighbours, and the world. The German government is still far from bringing about a self-sustaining recovery in the east. Reunification-induced inflationary pressures have caused the Bundesbank to keep short-term interest rates high since 1991, depressing economies across Europe. The terms on which east German liabilities were converted in 1990, coupled with east Germans' desire for west German incomes, have much increased public financing needs.

East Germany has become the hole in the heart of the European economy. Unless repaired, the damage will spread. A long European recession would deliver the coup de grâce to the Maastricht process. Additionally, it could fatally undermine the Community's single market. Already it seems unlikely that Germany will fulfil the fiscal conditions set at Maastricht for economic and monetary union later in the decade.

Germany's slowdown has made corrective policies more difficult, yet more necessary. The Bonn government expects zero growth for Germany as a whole this year. The country has been living beyond its means. It now ranks seventh in the EC in terms of GDP per head.

The 3 per cent wage rise agreed earlier this month for public sector employees shows some willingness to tighten belts. Many large west German manufacturing companies have been made uncompetitive by excessive wage rises and the D-Mark's EMS revaluation. It would be realistic for workers in the west to prepare for several years of real wage stagnation.

Labour costs

East German unit labour costs are 80 per cent above the west German level. This has accelerated the industrial collapse east of the Elbe – a significant factor behind the demand for large transfers from Bonn. Solving the wage problem is an essential way of reducing the drain from east Germany on public finances.

Now that east German wage tariffs are 73 per cent of those in the west, any further catch-up can take place only over a long period. The preferable approach would be

Budgetary cuts

Next, Bonn must extend its medium-term budgetary cuts. Expenditure reductions agreed so far do not match the need for radically overhauling spending priorities. Overall federal expenditure totals for 1990-92 are now 2 per cent higher than the finance ministry proposed last summer. And the government's budgetary arithmetic is based on highly optimistic assumptions about GDP growth after 1994.

The government must also tap additional revenue sources. Chancellor Helmut Kohl wants to delay further income tax increases until 1996. Holding back from a tax increase this year makes sense. Ruling one out for 1994 does not. The government should also take a far more imaginative line over privatisation.

None of these suggestions is easy to enact. Reunification strains have eroded traditional German policy consensus. So far, the Bundesbank's international credibility has allowed Germany to finance very large borrowing at relatively low long-term interest rates. But, unless Germany takes adequate measures, the financial markets will demand corrective steps. Debt of the size now being acquired by the public sector represents a heavy mortgage.

Action will require an accord with the opposition Social Democrats, who, because of their majority in the Bundesrat, have an effective veto over tax legislation. Mr Kohl has been making heavy weather of trying to spread the burdens of unity through negotiations on his "solidarity pact". He must now recognise that room for manoeuvre, already small, could soon disappear. If Germany's economic imbalances persist, the clouds over Mr Kohl's own future will grow. But they will be small compared with the risk of storms over Europe.

President's search for the perfect wave

Jurek Martin examines Clinton's big political gamble

The most successful peacetime politicians catch the wave before it crests. Franklin Roosevelt and Ronald Reagan managed it at the beginning of their administrations, with very different policies at very different times. But it was an instinct not possessed by Jimmy Carter, whose declaration in 1977 of the "moral equivalent of war" on profligate energy use caught his nation in a pacifist mode, and George Bush, who, lacking "the vision thing", never saw what swamped him.

Bill Clinton, just one month in office, thinks he has seen the wave forming. Contrary to all the political evidence of the past 12 years, he is convinced that Americans are ready to reverse the self-indulgence of the 1980s by paying higher taxes in the greater cause of reducing the federal budget deficit and the national debt. He is also offering short-term stimulus, longer-term investment and bigger, if phased, cuts in spending than ever proposed by Mr Bush. But the headlines yesterday are all about where

And yet last November, 65 per

cent of the American public explicitly rejected the policies advanced by President Bush, which were that there was nothing chronically wrong with the nation that a naturally recovering economy, still lower taxes and a few gimmicks such as a balanced budget amendment could not cure.

In last year's campaign, Ross Perot, free of standard political constraints, had no compunction in demanding sacrifices by all, including higher taxes and more expensive energy. Mr Clinton, in pursuit of victory, may have fudged on the tax front but he talked tough on the budget. Both put forward cases for change on a serious scale.

Conventional political wisdom is that politicians rarely practise in office what they preach in campaign. Thus the dictum of Russell Long, the former senator from Louisiana – "don't tax you, don't tax me, tax that fellow behind the tree" – was for Washington a safe recourse. The reflex political criti-

cism is that Mr Clinton, in taking it out of "you and me", has bought himself big trouble.

But political reflexes, even from Republicans, may be questioned in this strange era where public opinion is so influential but so subject to persuasion and manipulation. Knowing this, and sensibly trying to co-opt Mr Perot in advance, the Clinton team is giving his programme the hard sell in every corner of the country.

Like any good populist pitch, this campaign will have its villains. Borrowing again from Mr Reagan, who blamed his predecessor at every turn, Mr Clinton will constantly disparage Mr Bush's "failed" policies. He will copy Mr Perot and portray a Washington stuffed with high-paid lobbyists, all conspiring to preserve the status quo known as gridlock. He will conveniently forget that some of the most effective of them represent America's least affluent.

Just as 10 years ago Mr Reagan

seduced the "boll weevil" southern Democrats, so Mr Clinton will target key Republicans, because, if he cannot hold all his own party in line, he may need them. There are a fistful of senior moderate senators

John Chafee, William Cohen, James Jeffords, John Danforth, Nancy Kassebaum, Richard Lugar, even Robert Dole – who do not necessarily dance to the music of Newt Gingrich, Jesse Helms and the rest of the conservative band. These moderates prefer to influence policy rather than denounce it and they just might cut some deals, especially on deficit reduction.

But it will be hard. Neither Washington nor the country at large has yet measured Mr Clinton's resolution. Some suspect he talks a better game – and on Wednesday he was very fine – than he plays and can fold under pressure. There are so many parts to his programme that he could well lose a couple of battles early and suddenly lose control of the war. The reverse may also be true. He is not only making waves, he may just have caught the big one.

Seismic shock to the economic landscape

Public investment and a heavier tax burden are the keynotes of the package, writes Michael Prowse

As an impassioned plea for a fundamental change in the nation's economic philosophy, President Bill Clinton's address to Congress may prove to be of historic significance. He argued, in effect, that Republican strategies emphasising increased incentives for individuals had failed and that the nation needed to follow a social democratic path, involving a greater emphasis on public investment and a fairer distribution of the tax burden.

Mr Clinton backed recent fiscal trends by becoming the first leader of an advanced democracy to propose a big increase in the top rate of income tax – from 31 per cent to nearly 40 per cent for the richest families. Adding in state and local taxes, top earners will face an effective top rate of about 50 per cent. Most industrial countries have been striving to reduce top marginal rates in a bid to improve economic efficiency.

Although Mr Clinton deliberately targeted the rich, he raised taxes on the great bulk of American households – all families with incomes of more than \$30,000 a year – thus breaking one of his main campaign pledges. However, because a significant proportion of the taxes will be used to increase public investment in infrastructure and education and training, Mr Clinton was not able to signal a wholly convincing reduction in the federal deficit.

By fiscal 1997, some five years into a business cycle upswing, Mr Clinton hopes to have reduced the deficit to slightly more than \$300bn, compared with nearly \$300bn today. However, that still represents 2.7 per cent of gross domestic product, a significant drain on national savings at a point in the cycle when the budget ought to be close to balance, if not in surplus. Moreover, in all probability Congress will not accept all the proposed spending cuts and tax increases.

And, as Mr Clinton rightly stressed, any hope of controlling the deficit in the longer term requires the enactment of effective controls on healthcare spending – a controversial issue on which a national consensus is as yet far from assured.

The economic plan reflects two of Mr Clinton's deepest convictions:

• A public sector-led switch from

consumption to investment is essential to revive long-term productivity growth and restore faith in the "American dream".

• Social solidarity is important for its own sake. Mr Clinton is telling affluent Americans that it is their duty to pay more taxes. He probably would have raised taxes on the rich even if he had not needed more revenue.

Yet recent economic figures are throwing doubt on the assumptions underlying the Clinton plan, which was conceived largely as a response to the perceived economic problems of the 1980s. Hearing his "call to economic arms", you might think the economy was still floundering in recession. In reality, the downturn ended nearly two years ago and the underlying annual rate of growth has accelerated to about 3 per cent. Business investment and profits are rebounding strongly.

Mr Clinton believes a switch from consumption to investment is essential

Jobs are admittedly not being created as fast as in previous recoveries. But the labour force is growing far less rapidly, reflecting the absorption of the "baby-boomer" bulge in the workforce. The unemployment rate has already fallen to 7.1 per cent from a peak of 7.7 per cent last year.

Productivity growth – the number one problem according to Mr Clinton – seems to be staging a spontaneous revival. Productivity increased by 2.7 per cent last year and at an annual rate of 4.0 per cent in the fourth quarter. These were the best figures for two decades. Efficiency gains are occurring throughout the economy, even in the sprawling services sector.

Against this economic backdrop, the Clinton plan looks flawed. With the economic numbers improving, it is hard to understand why Mr Clinton is determined to press ahead with a short-term fiscal stimulus worth \$300bn, or about 0.5 per cent of GDP. Such a Keynesian boost to an already debt-laden economy was no part of his campaign strategy.

When the aim is supposedly the

creation of 600,000 jobs over two years, the emphasis on investment incentives – a temporary credit for large companies and a permanent credit for small companies – may prove unwise. There is a danger that additional subsidies for capital, at time when rapidly rising healthcare premiums are raising the cost of labour, will accelerate the shift under way towards more capital-intensive forms of production.

It is also curious, and perhaps unprecedented, for an administration to call simultaneously for stimulus and restraint. The attack on the deficit is long overdue but it means that Mr Clinton will be taking purchasing power out of the economy as his presidency progresses: he plans to raise taxes by about \$400bn over four years and make net spending cuts (after allowing for the boost to public investment) of about \$60bn. It seems naive to expect consumers and companies to react joyously to the immediate stimulus without taking account, today, of the "austerity package" planned for later.

The net effect of the package could thus be mildly deflationary, even allowing for some further decline in long bond yields. The risk of a negative impact on growth has been heightened by Mr Clinton's disregard for economic incentives. He had to cut the deficit but he did not have to rely so heavily on increases in taxes. And having targeted taxes, he could have tried to broaden the tax base rather than raise tax rates.

The energy tax was a modest step in the right direction but it will raise only \$22bn a year when fully phased in. It is no substitute for a European-style value-added tax which could efficiently have raised a far larger sum. This would have corrected the biggest anomaly in the US tax system (the near complete absence of levies on consumption), while inflicting no damage on incentives to save or invest. Mr Clinton instead emphasised higher rates of income and corporate taxes, only partially balanced by special concessions such as investment tax credits. In effect this is a repeal of the admired 1986 Tax Reform Act, which sought to create a "level fiscal playing field" by eliminating loopholes and lowering tax rates.

Mr Clinton may argue that considerations of fairness obliged him



to raise top rates of income and corporate taxes. This was certainly the easiest course. But he could have preserved economic incentives by attacking the tax concessions that favour the wealthy; for example, the tax deductibility of pensions, health premiums and mortgage interest costs about \$150bn annually in lost revenue, which is nearly twice as much as Mr Clinton hopes to raise when his rate increases are fully phased in.

Mr Clinton has been preaching the need for higher public investment, a lower deficit and a fairer tax system from the day he announced his bid for the presi-

dency. All three goals are a legitimate reaction to the "excesses" of the 1980s and, if achieved, will bring US policies more into line with those of other industrial democracies. Whether his package will boost growth or transform the employment outlook is altogether more questionable.

Nobody can claim that Mr Clinton lacks courage, however. He is attempting the most sweeping reshaping of the economic landscape since Ronald Reagan's famous tax-cutting budget of 1981. The difference is that he sees government as part of the solution rather than as part of the problem.

OBSERVER

Bangemann bangs on

"The truth is rarely pure, and never simple." Few things are more aptly depicted by Oscar Wilde's dictum than the attitudes to Britain of Germany's Martin Bangemann, the European Community commissioner for industry.

For one example, take the charge that he is a would-be banner of British bankers, not to mention prawn-flavoured crisps. It is false. Take for another the complaint about his insensitive delivery of strongly worded federalist speeches during the UK parliamentary sessions over Maastricht. That is true.

But whatever the complications, he is evidently not going to change his bruising bluntness where British sensibilities are concerned. Witness the fluent English-speaker's response when politely asked during a press conference to favour UK television viewers with an English version of his comments on the impact of the EC's rescue package for the steel industry. No, he replied, he had already dealt with the topic in German.

There seems no hope of stinging him with criticism, such as the sort that emerged from a survey of 2,000 European industrialists, half of them from Britain. A majority named him, along with Jacques Delors, as the EC

commissioners most blamed in favour of their own narrow national interests.

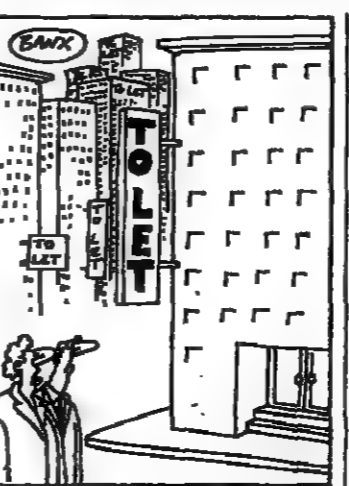
How did Bangemann respond? He thumbed through his favourite Oscar Wilde quotations, and took solace in: "To disagree with three-fourths of the British public on all points is one of the first elements of sanity – one of the deepest consolations in all moments of spiritual doubt."

Same again

It's hard to quibble about the calibre of the Bank of England's latest clutch of non-executive directors. Sir Jeremy Morse, recently retired chairman of Lloyds Bank, is one of Britain's best bankers. Hambro's Sir Chips Keswick is regarded as very sound.

How refreshing, too, to find a woman at last on the Court of the Bank of England, although Frances Heston's appointment suggests that life at the Takeover Panel can't be all that busy at the moment.

Even so, the appointments do look a trifle incestuous. Morse and Keswick both learnt their trade at the same place – Glyn Mills & Co. Sir David Walker, one of the outgoing Bank directors, has joined the board of Morse's old firm Lloyds, and is expected to take his old job after a decent interval. Moreover, Walker is an old Treasury hand and so is Frances Heston. Perhaps the government could



"It used to be a teaching hospital" have cast the net a bit wider. The Bank would benefit from a greater variety of opinions. The problem with the latest bunch is that there's probably nothing whatsoever they disagree about.

Cheers

Are you fat, addicted to rich food, averse to exercise, and perhaps even a smoker? If so, the medical journal *Lancet* has some useful advice for you... unless you happen to be French as well, and so probably know it already. First, never let your low-density lipoprotein become oxidised because, in that case, it will get

busy helping to build up layers of fat that could block your arteries. Second, according to US and Israeli researchers, the perilous oxidation can be forestalled by taking in phenolic flavonoids, which act as anti-oxidants.

Third – which the researchers suspect the French, at least, somehow know instinctively – a pleasant way of absorbing phenolic flavonoids is to drink a modicum of red wine. The goodness is not in the alcohol, however, but in its other ingredients.

Muffled move

The decision to change chairman by Kleinwort Benson has been so discreet as to camouflage the boardroom upheaval that has occurred at the old established merchant bank which has lost its momentum.

David Peake, a member of the family and a banker, is handing over to Lord Rockley, a few months older and a corporate finance man. Peake, who at 58 has been doing the job for a mere four years, stays on the board.

Considering that it was only last year that another corporate finance man in the shape of 51-year-old Simon Robertson was promoted to be Peake's deputy, he would have seemed the natural successor to a casual outsider. But merchant banks are more collegial than most outfits, and it seems to have been felt that an

Old Etonian city gent like Lord Rockley, a vice-chancellor, was the best bet to command the trust and confidence of the troops. But will he take the tough strategic decisions needed to restore Kleinwort to former glory? Somehow, one suspects not.

Pay off

Every penny's now under scrutiny at Control Securities, which with newly revealed negative net assets of £31.8m as well as debts exceeding £250m. So the property company may well be regretting a certain £5,000 outlay in its last financial year.

The money was donated to the election fund of Labour MP Keith Vaz who has championed the cause of depositors of collapsed bank BCCI. And who can forget that on the last day of Control's 1992 financial year its then chairman Mammi Virani was arrested in connection with the BCCI affair? But at least Control was fairly even-handed. It gave £1,750 to the Liberal Democrat party too.

Forbidden fruit

A prison governor in Hungary bit off more than he could chew when he helped himself to a sample from a bunch of bananas sent to an inmate by relatives. The one he chose had a file hidden inside it.



Entire output of some Ruhr products may end Krupp Stahl poised to close two steel plants

By Quentin Peel in Bonn

KRUPP STAHL, one of the best known names in the German steel industry, is poised to shut down its entire output of some steel products, with the loss of 4,000 jobs in the heart of the Ruhr industrial region. Two of its plants face closure.

The announcement came as thousands of steelworkers demonstrated against imminent job losses throughout the industry. Mr Günter Rexrodt, the economics minister, held crisis talks with steel industry leaders to agree a common strategy for next week's meeting of EC industry ministers in Brussels. That meeting is meant to decide on a Community-wide plan to reduce steel capacity.

The talks showed clear differences between Mr Rexrodt and the industry on how far imports of cheap steel from eastern Europe should be restricted to protect the west European industry during the restructuring process.

Krupp Stahl said that only last-minute developments in talks with rival steel producers, including Thyssen and Saarstahl, could prevent a decision to close its steel plants in Siegen and Hagen being taken at the end of March.

"We are standing on the brink

of closure there if there are no new developments in the very near future," Mr Gerhard Cromme, chairman of the Fried. Krupp group and the newly merged Hoesch-Krupp combination, told demonstrating steelworkers outside the Hoesch Stahl headquarters in Dortmund, where an emergency board meeting was also under way.

Krupp Stahl, which provides Europe's other steel industry

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almost half the turnover of the Fried. Krupp group, said the management had concluded that the only solution to the latest downturn in the steel market was to give up its manufacture of steel sections such as pipes and girders, which totalled almost 550,000 tonnes in 1991.

The company produces 3.6m

tonnes of flat steel products

which would not be affected.

The parent group has said it

will decide whether to close an

integrated steel plant belonging

to Hoesch Stahl in either Dort-

mund or Duisburg-Rheinhausen

in the next two weeks, as the

company seeks drastically to

reduce its steel-making capacity.

The company said last night

that the decision would be taken as soon as the production and sales figures for February were known.

The Krupp statement said final calculations on the viability of its output of steel sections products, all of which are high-quality special steels, had not been made. It was possible that some residual activities could be kept going during the closure process. The co-operation talks with Thyssen and Saarstahl might also offer some relief.

An emergency meeting of the company's supervisory board has been summoned on March 31 to make the decision. As many as 40,000 steelworkers and coal miners joined demonstrations in Dortmund and Rheinhausen on Wednesday night, and thousands more were on the streets again yesterday in Dortmund, Siegen and Hagen, protesting at the imminent closures.

It is estimated the restructuring may cost 30,000 steel jobs in west Germany and another 10,000 in the east. Mr Ruprecht Vondran, president of the German steel industry federation, estimates that between 25,000 and 30,000 jobs will have to go in the west German industry, and another 10,000 in east Germany, as part of the latest restructuring process.

Mr Bangemann believes digital

technology could be developed

by 1997.

Unlike EC analogue technol-

ogy, digital standards can be

used for broadcasts by terrestrial

television stations.

Britain is blocking further EC

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next five years, on the grounds

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As a result, Philips announced

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However, if the EC does adopt

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The Commission has asked the

Danish presidency of the EC for

a special meeting of EC telecom-

munications ministers to debate

the future of Community HDTV

policy, ahead of the scheduled

council on May 10.

Brussels says EC to follow US on HDTV standard

By Andrew Hill in Brussels

EUROPE will have to fall in line with the US on a transmission standard for digital high-definition television, the EC industry commissioner has said.

Mr Martin Bangemann said there was no point in starting a new global battle over advanced television standards by trying to set an exclusive EC standard.

His comments mark the end of the Community's costly standard-based HDTV strategy, and could mean the US technology, which should be selected later this year, will be adopted worldwide.

Mr Bangemann, who took over responsibility for HDTV last month, says the EC should now concentrate on salvaging the best elements of its ill-fated eight-year programme to develop advanced, cinema-quality television.

"A digital standard doesn't need to be set [by the EC]," he told the Financial Times. "Global standards are always the best solution."

EC taxpayers have invested at least Ecu525m (\$737m) in research and development of analogue HDTV since 1986.

Companies such as Philips of the Netherlands and Thomson of France have also ploughed funds into developing the EC standard, and are ready to mass-produce televisions to these norms.

The original aim of setting exclusive technical standards for

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European HDTV was to gain a

head start against competition

from Japan and the US.

But technological advances

and political opposition have

meant that Community satellite

transmission technology has

now been almost overtaken by

US digital standards.

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THE LEX COLUMN Glaxo's trusty tonic

Yesterday's interim figures were just what the doctor ordered for Glaxo's sickly share price. Sales grew faster than the market expected, albeit thanks to the old stager Zimex rather than the new generation products. An overdue explanation of the company's sensible but modest ambitions in over-the-counter medicines should smoothen speculation of a big acquisition and rights issue. But that will do nothing to calm the market's fears of tighter government regulation.

Despite ploughing ever more into research and development, Glaxo is accumulating cash at the rate of £200m a year. In the context of total profits of perhaps £1.7m this year, the drag of a £1.5m cash pile is bearable. But sales are expected to grow faster than costs from here on. Operating margins which are already over 30 per cent will, if anything, increase. Glaxo will soon have to decide whether to pay higher dividends or make an acquisition. Embarrassment of riches may leave it open to pressure.

With a stream of innovative new products on the way, Glaxo should be better placed than most to withstand government brow-beating. Only a fraction of sales growth in the first half came from price increases. Yet that does not make Glaxo immune. Drug prices are actually falling in Japan. On a yield close to the market average, Glaxo looks a relatively safe place to ride out the uncertainty. But the sector will remain under a cloud until the scope of President Clinton's crusade against healthcare costs is clear.

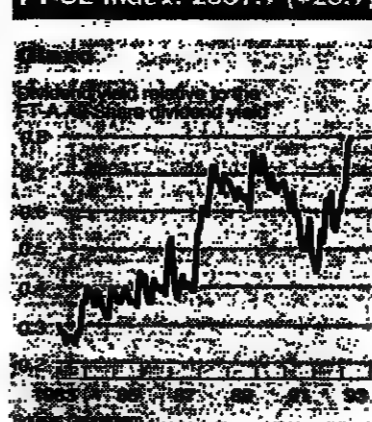
SE Banken

Sweden's banking crisis is getting steadily deeper and more protracted. Investors were primed for bad news from SE Banken as regards last year's results, less so for its announcement that it would incur further significant losses in both 1992 and 1993.

The government thus had little option but to come up with an immediate promise of help. SE Banken is already struggling to meet its BIS capital requirements. Two more years of losses could leave it with very little net worth at all. That thought alone could have prompted a run on deposits had not the government effectively agreed to underwrite the bank's survival.

Still, a practical solution will not be easy. The government might take over SE Banken's now separate division which houses its bad loans and ask private sector contributors to recap-

FT-SE Index: 2637.7 (+23.7)



alise the remainder. But the present climate is not exactly tempting to private money. The authorities may have to acquire the entire bank, gradually selling its more profitable activities, such as corporate banking.

Either way, existing shareholders face a bleak outlook. The government, too, will have to wait years to recover an outlay which, given its deficit, it can ill afford. It does not help that the economic background will be weak. Bankers who have had their fingers burned will be reluctant to extend credit just as the government is shrinking the public sector. Further cuts in short-term interest rates may be a necessary part of the cure.

Kingfisher/Darty

There are two starkly different interpretations of Kingfisher's takeover of Darty. The first suggests it is taking a wild punt in paying £560m for a French service sector company currently trying to survive recession. The dangers are heightened by Kingfisher assuming a further £477m of debt, writing off £900m of goodwill, and increasing gearing to 88 per cent even after a £313m rights issue.

The alternative view is that Kingfisher is acquiring a well-managed business with market leadership and considerable scope for expansion. Darty's strong income stream will quickly enhance Kingfisher's earnings. The price is attractive at just 16 times Darty's forward earnings.

Which version is right depends on one largely unpredictable factor: how well the two managements co-operate. The history of recent Anglo-French mergers is poor. In this case, there are

genuine grounds for optimism. First, Darty's management has a firm financial interest in success, having been paid mainly with Kingfisher paper. Second, Kingfisher is a flexible parent more akin to a holding company than a traditional retailer, though this approach also implies less immediate synergy benefit for Comet than the market originally assumed. Third, the deal's architect is Sir Geoffrey Mulcahy who has proved the near-personification of caution. His record should win him the benefit of the doubt.

UK economy

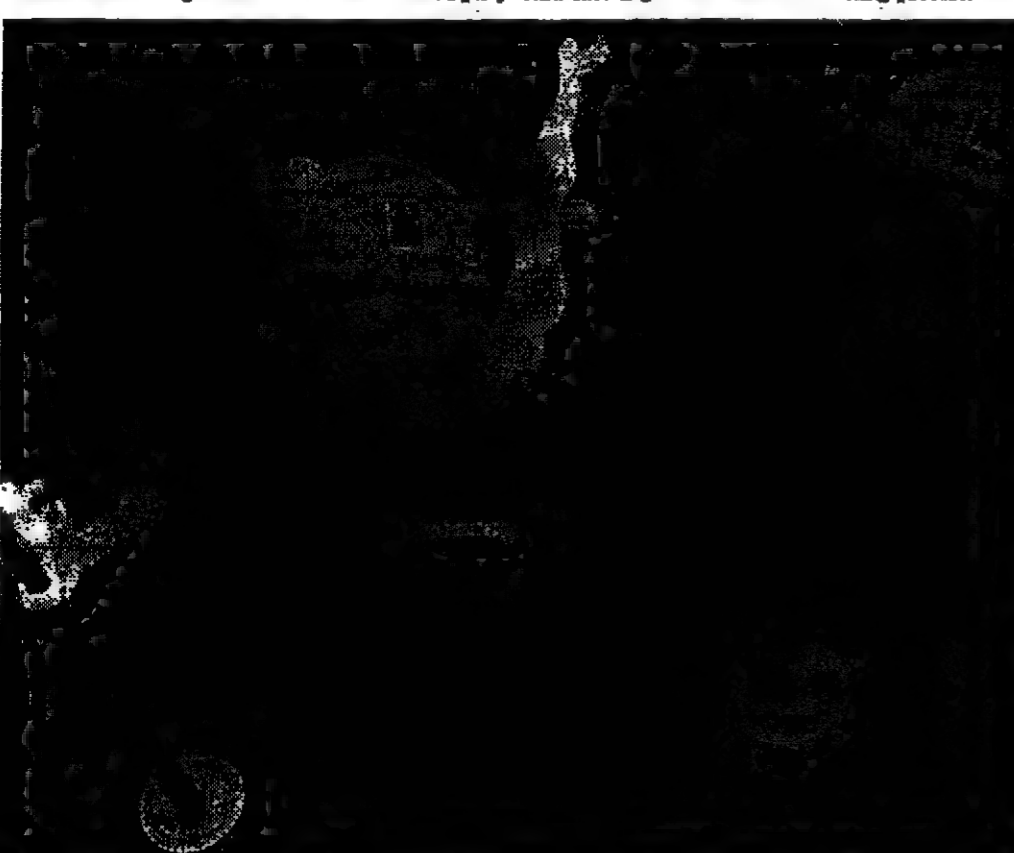
The government's unseemly haste in cutting base rates after the release of December's appalling unemployment figures now looks misplaced. Traditional seasonal adjustments may have been rendered invalid by the length of the recession. As a result, December's figures may not have been as bad as they looked, while only cold comfort can be drawn from the better January data. The trend rise in unemployment is still running at over 40,000 a month, far higher than at a similar stage of previous recessions. The implications for consumer confidence are clear.

There is, however, a silver lining. Productivity is now climbing rapidly and may show double-digit growth once cyclical recovery starts. In manufacturing industry, at least, that has all but offset wage inflation, which should help counter the impact of devaluation. Yet if the near-term inflation outlook is good, that is purely a function of the depressed economy. The real inflation test comes later.

RTZ

RTZ was clearly anxious to get its hands on Nercos' attractive US coal reserves. The \$1.2bn acquisition also includes a disparate package of oil, gas and precious metals assets for which a buyer will have to be found. That leaves a degree of risk. Gearing of around 60 per cent is not unreasonable at this stage of the cycle, but it would do to make some inroads into debt through disposals before making another move.

If that can be achieved, RTZ looks sensible to add coal to its portfolio of commodities. The low-cost and low-sulphur coal bought yesterday should be less vulnerable to environmental legislation. With 60 per cent of the output sold under long-term contracts, there is also some security of earnings.



A Hoesch steelworker and his wife join several thousand workers outside the Hoesch Stahl headquarters in Dortmund to protest against planned cuts of about 40,000 in the steel industry.

UK unemployment hits 3m for first time in 6 years

By Peter Marsh, Philip Stephens and Peter Norman in London

THE PROSPECT OF UK tax increases in next month's Budget appeared to harden yesterday after an hour-long cabinet discussion of the economic outlook was accompanied by news that headline unemployment last month pushed above 3m for the first time in six years.

With little hope in the UK government of any falls in unemployment until the mid-1990s, Mr Norman Lamont, the chancellor, left ministerial colleagues in no doubt that tax increases to cut the government's deficit were a real possibility in the March 16 Budget.

The suggestion that the government should "bite the bullet" on raising taxes sooner rather than later also appeared to be winning support among Tory

MPs. The extension of value added tax to domestic fuel and heating as part of a number of "green" taxes is considered a front-runner.

Hopes of economic recovery

Jobsless above 3mPage 7

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received a modest boost from

news that seasonally adjusted

bank and building society lend-

ing increased by an unexpectedly

strong £4.1bn (\$6.5bn) in January

after falling by £74m in Decem-

ber.

Both the Bank of England and

the British Bankers' Association

suggested that January's lending

figure could have been inflated

by companies borrowing to pay

corporation tax bills.

The headline figure of people unemployed and claiming benefit in January rose to 3.06m, while on a seasonally adjusted basis the figure was lower at 2.99m.

The seasonally adjusted rise in unemployment between December and January was a lower-than-expected 22,100, the smallest monthly increase since June. But Downing Street officials acknowledged there was little prospect that the figure would turn down for two or three years.

Mrs Gillian Shepherd, the UK employment secretary, indicated that a new package of measures to take tens of thousands off the unemployment register would be ready by Budget day.

Mr John Major, the UK prime minister, appeared distinctly unsettled, as Mr John Smith, the Labour party leader, accused Mr Major of creating a "social tragedy" and "economic madness".

his election to the presidency less

than two years ago.

Mr Mikhail Poltaranin, head of

the Federal Information Centre

and a close presidential aide, yester-

day described parliament as

merely "the sum of local inter-

ests" with no ability to "save

Russia from dismemberment".

Mr Poltaranin said that a referen-

dum on the constitution -

scheduled for April - was the

last attempt to resolve the struggle

for power peacefully.

Mr Yeltsin and Mr Khazhin

have agreed that a presidential

parliamentary commission must

find a formula for a division of

powers by the end of the month.

It will be put to the Congress of

Peoples' Deputies next month.

World Weather		°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F	°C	°F
Boulogne	S	9	48	Frankfurt	G	9	43	Manama	F	10	39	Orlando	S	13	55	Toronto	S	12	54
Buenos Aires	C	12	54	Geneva	S	9	41	Malaga	S	18	61	Osaka	S	0	32	Tokyo	S	14	57
Burton	C	12	54	Granada	C	10	50	Moscow	F	10	50	Paris	S	10	50	Washington	C	10	50
Camaguey	S	25	77	Gwangju	S	7	45	Munich	F	33	92	Prague	S	0	32	Yokohama	S	14	57
Casablanca	S	10	50	Hankow	S	10	50	Nairobi	F	20	68	Rangoon	S	28	82				
Cebu	S	28	82	Hong Kong	S	16	64	Manila	C	26	79	Rio de Janeiro	F	12	54	Vladivostok	S	13	55
Colon	S	26	80	Imbabura	S	9	41	Miami	T	21	70	San Francisco	S	15	59	Yokohama	S	14	57
Davao	S	26	80	Interoceanica	T	10	50	Montevideo	S	10	50	Sao Paulo	S	15	59				
Hankow	S	20	68	Interoceanica	T	10	50	Montreal	S	-1	30	Seattle	C	4	39	Washington	T	3	37
Hong Kong	S	18	64	Interoceanica	T	10	50	Moscow	S	-1	30	Shanghai	C	4	39	Yokohama	S	14	57
London	S	10	50	Interoceanica	T	10	50	Munich	C	2	36	Singapore	S	28	82				
Manama	S	4	40	Interoceanica	T	10	50	Munich	C	2	36	Singapore	S	28	82	Temperatures at midday			
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Friday February 19 1993

vita
WORLDWIDE
21st CENTURY
MATERIALS AND
TECHNOLOGY
T.O.D.A.Y
BRITISH VITA PLC

INSIDE

Gehe in pan-European takeover move

Gehe, the Stuttgart-based drugs wholesaler, announced a FF800 (\$144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique. The merger would create the largest European pharmaceutical distribution business, with sales of around DM14bn (\$8.5bn). The deal would ease access to other markets in the European Community and eastern Europe. Page 16

Navistar cuts loss to \$5m

An increase in deliveries of trucks and diesel engines helped Chicago-based Navistar International, North America's largest truck manufacturer, trim its first-quarter loss to \$5m from a \$32m last time. Mr James Gotting (left), chairman, attributed the improvement to higher sales and reduced operating costs. Sales revenue at the company, formerly known as International Harvester, rose by 15 per cent to \$1.03bn. Page 17

Kleinwort Benson up 66%

Pre-tax profits at Kleinwort Benson, the UK merchant bank, recovered sharply in 1992 — up 66 per cent to \$46.3m (\$65.7m) — mainly because of a drop in bad debt provisions from £38m to £7m. Page 20

Wall Street

The US securities industry is confident this year will prove as profitable as 1992, when every record in the book fell before the Wall Street earnings juggernaut. But the main equity indices have stumbled, barely a week after soaring to record highs. And the heavy selling could prove a problem for securities firms if it presages a significant correction in equity prices. Page 18

Tel Aviv drops on allegations

Shares fell heavily in Tel Aviv, the latest lurch in a 10-day slide as investors reacted to allegations that Israeli banks have been stoking the market. Depressed by worries that equities were overvalued the 100 index plunged 5 per cent before regaining slightly. Remarks by former High Court judge, Mr Moshe Bejsky, on Wednesday had raised the spectre of a disastrous 1993 share collapse. Back Page

Rubber fails to bounce back

When trading in natural rubber became computerised on the Singapore commodity exchange last year, producers hoped prices might finally lift. But they remain low and a bitter argument rages between producing and consuming nations over support for the industry. Producers gripe that the pricing system is weighted in favour of tyre companies. Page 30

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FFP)	
Alcoa	593 + 18	Alcoa	774 + 20
Alstom	380 + 15	Alstom	441 + 13
Bochler	1150 + 10	Bochler	407 + 17
Bochler	486.5 + 10	Bochler	950 + 38
Bochler	650 + 10	Bochler	950 + 38
Bochler	650 + 10	Bochler	950 + 38
Bochler	650 + 10	Bochler	950 + 38
Bochler	650 + 10	Bochler	950 + 38
Bochler	650 + 10	Bochler	950 + 38
Bochler	650 + 10	Bochler	950 + 38

LONDON (Pence)		Kingfisher	
Alcoa	716 + 21	Kingfisher	557 + 38
Alstom	230 + 17	Kingfisher	579 + 17
Bochler	227 + 15	Kingfisher	582 + 19
Bochler	515 + 18	Kingfisher	582 + 19
Bochler	515 + 18	Kingfisher	582 + 19
Bochler	515 + 18	Kingfisher	582 + 19
Bochler	515 + 18	Kingfisher	582 + 19
Bochler	515 + 18	Kingfisher	582 + 19
Bochler	515 + 18	Kingfisher	582 + 19

RTZ makes \$470m move into US coal

By Kenneth Gooding, Mining Correspondent

RTZ, the world's biggest mining company, is moving into US coal with a \$470m agreed offer for Neco, the founding natural resources group 82 per cent owned by PacificCorp.

Neco's profitable coal units will be merged with RTZ's US Kennecott copper and gold mining subsidiary but the Morgan Stanley investment bank will sell the oil and gas operations.

Neco's gold and silver mining interests have been up for sale for some time. RTZ will look closely before deciding whether to go ahead with the disposal process already in place.

Neco's net debt at the end of 1992 was \$692m and after the deal RTZ's gearing will rise to about 60 per cent from 35 per cent. Mr Robert Wilson, RTZ's chief executive, said: "We shall move promptly to achieve the planned asset disposals. Meanwhile, we expect this transaction to

enhance earnings even in 1993." PacificCorp has agreed to fund \$225m of the consideration and will be repaid from certain contract revenues of Neco.

Through its 49 per cent-owned associate, CRA, RTZ already has coal interests in Australia and Indonesia. Neco owns two low-sulphur, open pit, steam coal mines in the Powder River Basin in Montana and Wyoming and has a 50 per cent stake in a third. It produced 16.8m tonnes in 1992 and has reserves totalling 580m

tonnes, and more than 60 per cent of production is secured by long-term contracts. Mr Wilson said demand for low-sulphur coal in the US was expected to grow by 2 per cent annually and material from Powder River was probably the lowest-cost in the world: about \$4 a tonne to mine.

RTZ's share price closed 6p down after the news at 646p, possibly because of market fears of a rights issue.

RTZ is offering \$12 for each Neco share. At midday Neco's

shares were up \$1 1/4 at \$11 1/4. The US company also announced a net loss of \$651m on revenues of \$578m after write-downs totalling \$714m. This left its net assets worth \$247m.

Mr Euan Worthington, head of the mining team at S G Warburg, said: "It looks like a very good deal — if you want that sort of deal. But should anyone be buying coal anywhere in the world, even reasonably high-quality coal?"

Lex, Page 14

Neil Buckley and Alice Rawsthorn report on the deal between Kingfisher and Darty Takeover creates Europe-wide retailer

KINGFISHER, the UK retail group, yesterday agreed its \$560m (\$800m) takeover of Darty, France's biggest electrical retailer, to create one of the largest non-food retailing groups in Europe.

The deal was welcomed in the City of London, with Kingfisher's shares closing up 30p at 557p. Kingfisher announced it would partly fund the deal with a £313m, one-for-seven, rights issue.

The deal values Darty at FF4.45bn (\$790m). Kingfisher will pay for it with \$207m cash, plus 68m Kingfisher shares, giving Darty shareholders a significant stake of between 10 and 12 per cent in Kingfisher. It will also take on debts of about \$477m. Analysts were enthusiastic about the takeover. Mr John Richards of NatWest Securities said in the long term it offered the prospect of creating the first "major European power-retailer".

Sir Geoff Mulcahy, Kingfisher's chairman, said the deal would create a business "with the muscle to compete on a European basis as well as enhancing growth opportunities in our domestic markets".

Speaking in Paris, Mr Philippe Francis, chairman of Darty, said the deal marked the start of a "strategic European alliance" between the two groups which would enable his company to fulfil its potential for the future.

Darty has been a force in French retailing since 1957 when the three Darty brothers — Bernard, Claude and Nathan — opened their first store. It now dom-

inates the white and brown goods sector with 130 warehouse-style stores which command 12 per cent of the French market.

The group is one of France's most profitable retailers but has come under pressure in recent years because of the burden of the FF4bn net debt left by its 1988 management buy-out from the Darty family and the increasingly competitive state of the French retail sector. It saw sales slip from FF4.75bn to FF4.55bn in its last financial year to August 31 when pre-tax profits fell from FF1.065bn to FF1.07bn.

In the medium term, Darty intends to extend its operations outside France, at present restricted to a joint venture in Belgium with retailer New Vandenberghe. Mr Francis said that "there are lots of other European countries where we'd like to be".

Kingfisher will also strengthen its balance sheet with a one-for-seven rights issue, at a price of 460p each. The issue will be in two stages, with a first instalment of 235p payable by March 15 irrespective of whether the takeover is completed. The second will only become payable if the takeover is approved.

That would take Kingfisher's gearing to 66 per cent, but Mr James Kerr Muir, finance director, said he expected the group's strong cashflow to enable this to be reduced by a "significant amount" in a "fairly short time".

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Electrical connection: Sir Geoff Mulcahy (left) of Kingfisher said the deal with Philippe Francis' Darty created a business "with the muscle to compete on a European basis"

Philip Morris in talks to buy UK chocolate maker

By Guy de Jonquieres, Consumer Industries Editor

UNITED Biscuits, Britain's largest biscuit and snacks manufacturer, is seeking to sell Terry's, its chocolate division, in a move intended to cut debt and pave the way for further acquisitions.

Talks have been underway for several weeks with a number of prospective buyers. They are

understood to be most advanced with Philip Morris, the US tobacco and food group, which owns Jacobs Suchard, the Swiss chocolate and coffee company. Neither US nor Philip Morris would comment.

Analysts estimate that Terry's, which earned operating profits of £2.2m (\$4.6m) on sales of £68m in the first half of last year, could fetch more than £200m. The company has about 3 per cent of the

UK chocolate market as well as subsidiaries in France and Italy.

UB has made a string of acquisitions in the past two years in an effort to strengthen its international presence in biscuits and savoury snacks, which it views as its core businesses.

The company is considering bidding for the biscuits interests of Royal Brands, a leading Spanish food company, which has been put up for sale by Tabacal-

era, its state-owned parent.

However, UB's scope for further acquisitions is limited by its high gearing, which rose to 88 per cent after last month's \$47m purchase of Bake-Line, a US biscuit maker. The company's total debt is currently about \$540m.

The sale of Terry's would take the recent consolidation of Europe's chocolate industry a step further. Suchard, which was purchased by Philip Morris for

\$3.5bn in 1990, successfully bid \$1.5bn last autumn to acquire Freia Marabou, a Norwegian confectionery manufacturer.

Though Suchard is one of Europe's leading chocolate producers, it has only a small share of the UK market, which is dominated by Cadbury Schweppes, Nestlé and Mars.

Another possible bidder for Terry's is Hershey, the largest US chocolate company.

Ulcer drug sales help Glaxo lift profits by 16% to £819m

By Paul Abrahams in London

GLAXO, Europe's biggest pharmaceuticals group, yesterday reported pre-tax profits up 16 per cent from £708m to £819m (\$1.163bn) for the six months to December 31. The result was achieved on turnover up 16 per cent from £1.97bn to £2.23bn.

The main driving force behind the higher than expected profits increase was the strong growth of the ulcer treatment Zantac, the world's best-selling drug.

Glaxo tried to clarify its ambitions in the over-the-counter (OTC) non-prescription drug market. Dr Ernest Mario, chief executive, said he apologised if the market had been confused

about the company's strategy. There have been rumours, following the appointment of Mr Arthur Pappas last month, that Glaxo might be preparing a rights issue to acquire Warner-Lambert in the US which has a large OTC business.

Dr Mario said the company had a number of products, such as Zantac, that might be switched to the OTC market. Mr Pappas had been appointed to help the group do this. However, that did not mean Glaxo would buy OTC products or other companies just to increase turnover in OTC. This statement calmed the market's immediate fears and Glaxo's shares lifted 22p to 964p in a rising stock market.

Glaxo had limited price increases to below the rate of inflation, Dr Mario said. Group sales, excluding exchange rates, rose 13 per cent. Only 1 per cent came from price increases, with 12 per cent from volume growth.

Because Glaxo does not produce drugs in Puerto Rico, Dr Mario said it was less exposed than other drug companies to any moves by the Clinton administration to curb the island's tax haven status.

Dr Mario said sales of new products, including imigran, the migraine treatment, and Servent, an asthma drug, rose \$92m, while established drugs improved by \$28m.

Details, Page 20; Lex, Page 14

Statoil falls 40% to Nkr2.5bn

By Karen Fosell in Oslo

STATOIL, the Norwegian state oil company, yesterday reported a 40 per cent slide in 1992 net profits to Nkr2.5bn (\$361.3m), caused mainly by a big operating loss in petrochemicals operations. Low oil prices and weak refinery margins also contributed to the downturn.

The company has proposed to cut its dividend payment to the state — Statoil's owners — to Nkr1.25bn from Nkr1.4bn in 1991, but even at this level the payout would rise to 50 per cent of net profits, from 34 per cent in 1991.

Group operating income rose to Nkr7.4bn from Nkr7.3bn, but operating profits fell to Nkr12.5bn from Nkr13.6bn in 1991. Petrochemicals saw a Nkr500m decline in operating income to Nkr5.5bn as operating losses widened to Nkr138m from Nkr30m.

charges of Nkr1.8bn, up from Nkr1.1bn in 1991, which it blamed partially on a Nkr450m loss on a swap arrangement in shares in Saga Petroleum, Norway's biggest independent oil company.

The company issued a pessimistic outlook for its main markets in 1993 and warned it would be unable to generate sufficient cashflow from operations to finance immediate investment commitments.

This imposes additional demands on the group's earnings and financial strength," the company said. Ms Brit Rugland, vice-president of finance, said the company would seek to borrow between Nkr1bn and Nkr1.5bn in 1993 — the first time the company has had to borrow on this scale in five years — including refinancing of existing loans, and that investments would rise to Nkr12bn from Nkr17bn last year.

The company plans an international expansion in exploration and production operations in an

effort to find new oil reserves to replenish a sharp decline in production expected by 1995-96. It also plans substantial domestic investments this year.

"Access to new commercially recoverable reserves will strengthen Statoil's earnings in the long-term," it said. The group's estimated tax bill for 1992, at Nkr4.5bn, is at last year's level, but the company said its effective tax rate had increased to 77 per cent in 1992, from 68 per cent in 1991. The net rate of return on capital employed in 1992 fell to 5.1 per cent from 8.3 per cent a year earlier. "Extensive action is being taken to enhance Statoil's profitability," the company said.

Group equity-to-debt ratio in 1992 was 28.4 per cent, on a par with 1991, but Statoil reiterated its goal to achieve a ratio of between 25 per cent and 40 per cent by 1995.

Monogstad refinery in doubt, Page 20

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INTERNATIONAL COMPANIES AND FINANCE

Gehe deal to create leading European drug distributor

By Christopher Parkes
in Frankfurt

GEHE, a leading German drugs wholesaler, yesterday announced a €1.8bn (\$1.44bn) per share takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique.

The merger would create the largest European pharmaceutical distribution business, with sales of around DM14bn (\$8.5bn) a year. The two companies already have an alliance with AAE, the UK wholesaler. The deal would ease access to other markets in the European Community and eastern Europe, Gehe said yesterday.

The Stuttgart-based German group said it would go ahead with the takeover if it received

more than 50 per cent acceptance. It reserved the right to press on with the bid if this level were not reached.

After Schering, Gehe is Germany's second-biggest quoted drugs wholesaler, with annual sales of around DM5bn. In 1991, the last full year for which results are available, it made pre-tax profits of DM175m.

While wholesaling accounts for around half of group earnings, drugs manufacture provides a further 25 per cent, with the balance coming from various mail order activities. Although primarily confined to Germany, drugs distribution has recently been expanded into Poland.

Gehe developed its mail order business, specialising in office and warehousing

equipment and operating as far afield as the US, during the 1980s, when the drugs operations were affected by stagnating markets.

Manufacture, mainly of generic pharmaceutical products, has expanded recently. It was boosted after German unification by the acquisition of Jenapharm and a 60 per cent stake in Azopharm.

The group, which is controlled by the Haniel family, whose members account for 52 per cent of the shares, has benefited in the past two years from the effects of German unification. But it faces a squeeze from government plans to reduce health spending. These include price cuts for pharmaceuticals and prescription limits.

Italian engineer plans share issue

By Haig Simonian in Milan

FINMECCANICA, the Italian state-owned engineering group which is merging with some listed subsidiaries, has revealed moderate gains in 1992 sales and earnings and plans for a fundraising share issue.

The announcement came as shareholders of Finmeccanica's Alenia aerospace, Elisag-Balloy automation and Ansaldo engineering subsidiaries approved the merger proposals put forward last December.

Mr Fabiano Fabiani, Finmeccanica's managing director, said group net profits rose by 7.7 per cent to L1,822bn (\$121m) last year, while sales climbed 2.1 per cent to L11,200bn. Net debt climbed by 9.4 per cent to L5,320bn, while interest costs jumped to L450bn from L297bn in 1991, largely due to the sharp rise in interest rates in the second half of last year.

Finmeccanica unveiled plans to raise up to L881bn through a multi-tranche capital issue over the next year. The proceeds would come from issuing 307m new shares, with a nominal value of L1,000 each. The shares would carry a L1,500 premium, which could be altered up or down by L400 a share, depending on market conditions.

The Italian government has indicated it is ready to reduce its stake in Finmeccanica, owned through the IRI state holding company, to below 50 per cent, although no timetable has been set. Should all minority shareholders in Finmeccanica's subsidiaries accept the share swap linked to the merger, IRI's stake will fall to 86.6 per cent from 86.4 per cent.

The planned capital increase could dilute that further. IRI has said it will spend L493bn underwriting new Finmeccanica shares. Rights to any remaining stock will be ceded to a banking consortium, on terms yet to be revealed.

Mr Fabiani blamed the rise in Finmeccanica's net debt on the delays in payment from public-sector clients in Italy.

The slide from difficulty to disaster

Christopher Brown-Humes on the crisis that has engulfed SE Banken

IT HAD been known for some time that Skandinaviska Enskilda Banken was in acute financial difficulty, but only yesterday did the full extent of the crisis become clear. The SKr5.3bn (\$711.6m) loss for 1992 dwarfed anything that analysts had expected.

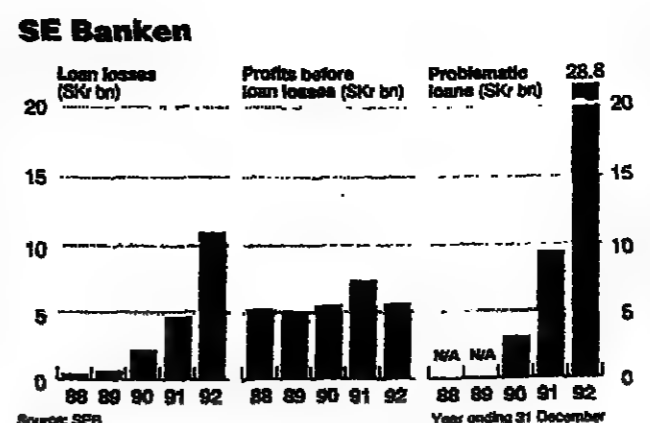
The forecast of huge credit losses this year and next made the picture even bleaker. There was no surprise, therefore, that the government finally confirmed that the bank needed state support.

The revelations do much to bear out the accuracy of a current Swedish joke, which suggests that the difference between a good bank and a bad bank in the country is about six months.

For the speed at which the crisis has overtaken Sweden's most prestigious bank is stunning. A year ago, it made a SKr2.3bn profit. For the first four months of 1992 it recorded a SKr600m operating loss - its first deficit. After eight months, the loss had reached SKr2.5bn. But even this doubled in the final four months to reach yesterday's extraordinary total.

That things deteriorated so quickly owes as much to the boom of the late 1980s as to the recession that followed. The collapse in property values has been the single most important factor in the weakening of the Swedish banking system, and SE Banken is paying a heavy price for its exposure to a small number of big clients in the real estate sector - just 15 customers account for almost half of last year's SKr10.9bn lending losses.

SE Banken's plight means that of the larger commercial banks, only Svenska Handels-



banken looks as if it has a realistic chance of surviving without state aid. The government has already put up SKr5.5bn to support three banks - Nordbanken, Gota Bank and Första Sparbanken - of which both Nordbanken and Gota Bank are under state control.

Some analysts believe that only strong political objections will prevent SE Banken falling into state hands.

The problems at SE Banken are similar to those at banks the government already owns. But the government doesn't want to own any more banks and there is value in having more than one privately-owned bank, says one observer.

How much money the state puts up, and how much capital SE Banken can attract through its own efforts, are the key questions. Conservative estimates suggest at least SKr10bn will be needed to recapitalize the bank, although some say the eventual figure will be much higher.

The state expects SE Banken to do as much as possible to resolve its problems by raising new capital from private

sources. But the bank is equally keen to know the extent of government aid before it goes ahead with any new share issue. A complex game is likely, in which each player tries to force the other to show his cards first.

One possible outcome would be for the state to guarantee the assets in SE Banken's "bad bank" - the special division set up last month to house non-performing loans - with additional share capital being raised from private sources to strengthen the bank's healthy activities.

Some of the bank's shareholders, as the most notable casualties of the current crisis, may prove reluctant to provide more funds.

Mr Björn Svedberg, SE Banken's chief executive, can play on the state's reluctance to take over the bank - but he can also count on the state driving a hard bargain as part of its determination to get a good deal for the taxpayer and to ensure competitive neutrality. That could entail the disposal of some of the

bank's profitable activities. Many are waiting to see what role the Wallenberg family, Sweden's biggest corporate dynasty, might play in the outcome. The Wallenbergs' interests currently hold only 8 per cent of SE Banken's shares, but there has been speculation that this stake will increase as part of any reconstruction.

However, this would almost certainly force the group to dispose of other shareholdings. There has also been speculation that the Wallenbergs might sell their voting rights to a 38.6 per cent holding in SKF, the world's biggest roller-bearing manufacturer.

Last month SE Banken carried out a sweeping reorganisation, and it is likely that further moves will be made to cut costs further and to bolster the capital base. Such actions are likely to include staff cuts and disposals.

But these efforts alone are unlikely to solve the bank's difficulties without a broader reform in the Swedish economy. There have been some positive developments, including a recent fall in interest rates and the devaluation of the krona, but the economy is still heading for another difficult year.

The finance department and the bank agree that Sweden's banking crisis will continue for at least another two years, with losses this year likely to equal those of last year.

"Most of the problems in the sector should have been dealt with by the end of next year," Mr Gö Lundgren, the taxation minister, said yesterday. For the moment, that is an optimistic assessment as can be found of the prospects for an end to Sweden's banking crisis.

Kvaerner slips to Nkr932m due to losses in shipping and engineering

By Karen Fossell in Oslo

KVAERNER, the diversified Norwegian group with main interests in engineering, shipping and shipbuilding, registered a fall in 1992 pre-tax profit to Nkr932m (\$136.7m) from Nkr1,120m a year earlier.

The weaker result was due to substantial losses by the group's mechanical engineering and shipping divisions. Shipping operations plunged into a Nkr18m pre-tax loss last year from a Nkr14m profit in 1991 while mechanical engineering widened pre-tax losses to Nkr23m from Nkr5m.

Shipbuilding, which accounted for nearly 80 per

cent of group profits, increased pre-tax profit by Nkr204m to Nkr755m last year.

Group net revenue rose to Nkr2,020bn from Nkr1,870bn in 1991, but operating costs increased to Nkr1,840bn from Nkr1,690bn.

Kvaerner forecast 1993 pre-tax profit to be on a par with last year's, despite an expected weaker shipbuilding market.

• Dyno Industrier, the diversified Norwegian group, yesterday reported a three-fold increase in 1992 pre-tax profit to Nkr1,600m (\$231m) from Nkr450m a year earlier.

Group sales fell to Nkr7,500m from Nkr7,700m as Dyno experienced a "difficult year" in most

of its main markets, caused by pressure on prices and the sale of its construction machinery business.

Group operating profit rose by Nkr26m to Nkr329m and financial income improved by Nkr65m to Nkr212m.

Plastics suffered an operating loss of Nkr12m compared with a Nkr69m profit in 1991. The explosives division made progress in the US and Australia but profits fell in Scandinavia due to low construction activity.

• Leif Boegh, one of Norway's biggest shipowners, yesterday revealed a sharp fall in 1992 net profit to Nkr173m from Nkr988m in 1991.

Bank may buy Spanish state ferry

By Peter Bruce in Madrid

BANCO Central Hispanoamericano (BCH), one of Spain's biggest commercial banks, is understood to be negotiating to buy the bulk of the Spanish state's 86 per cent stake in the Transmediterranea ferry company.

The government had wanted to include Transmediterranea

in a slew of part privatisations this year. The company has returned to profit in the past two years. Talks are said to centre on BCH taking about 60 per cent of the company.

This would cost the bank about Ptas50bn (\$726m), based on the price of the 5 per cent of the company that trades in the Spanish markets.

• Spain's financial futures

exchange, the Barcelona-based MEFF, said it would start trading its first individual share options on February 25, Reuter reports from Madrid.

It will start with Telefonica Espanola and Endesa options, which have been running in simulated trading since February 2, and hopes to add Repsol and Banco Bilbao Vizcaya shortly.

The planned capital increase could dilute that further. IRI has said it will spend L493bn underwriting new Finmeccanica shares. Rights to any remaining stock will be ceded to a banking consortium, on terms yet to be revealed.

Mr Fabiani blamed the rise in Finmeccanica's net debt on the delays in payment from public-sector clients in Italy.

STE Microelectronique et d'Horlogerie, the Swiss watchmaker, is likely to record an increase in net profit for 1992 of between 50 per cent and 60 per cent, said Mr Nicolas Hayek, the chief executive.

Reuter reports from Zurich. Mr Hayek said provisional accounts showed 1992 sales had risen to SFr2.85bn (\$1.9bn) from SFr2.37bn. In 1991, SMH

- maker of Swatch watches - recorded a group net profit of SFr252m.

• ARES-SERONO, the Swiss pharmaceutical company, said that it expected higher group net profits for 1992, and added that 1993 earnings should at least keep pace with 1992 growth, Reuter reports from Zurich. A company spokes-

woman said the group expected 1992 group net profits to rise to more than \$100m from 1991's \$71.2m. The expected rise was due to the sale of its non-prescription drugs unit last March to Italy's Home Products Italiana.

• BANQUE Nationale de Paris, Dresdner Bank and the Russian central bank signed an

agreement for the establishment of a bank, jointly owned by the French and German partners, Reuter reports from Paris. BNP said the bank would have \$10m in capital, split equally between BNP and Dresdner, and be called BNP-Dresdner Bank (Russia). It will have its headquarters in St Petersburg and a branch office in Moscow.

EUROPEAN COMPANY NEWS IN BRIEF

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Société Générale

Taiheyo Europe Limited

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Robert Fleming & Co. Limited

Goldman Sachs International Limited

Kankaku (Europe) Limited

Mitsui Trust International Limited

Nippon Credit International Limited

Wako International (Europe) Limited

S.G. Warburg Securities

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INTERNATIONAL COMPANIES AND FINANCE

Restructure scheme is unveiled by TWA

By Alan Friedman

TRANS World Airlines (TWA), the bankrupt and debt-laden US carrier, has presented its long-awaited reorganisation plan, in which it told a Delaware court it hoped to emerge from bankruptcy this spring.

The plan, presented by the airline and its official unsecured creditors' committee, provides for the elimination of about \$4bn in total claims against TWA. It calls for the distribution of new TWA common and preferred stock to the airline's creditors and employees and the issue of new debt securities.

Under the plan TWA's creditors would receive cash and new debt and equity securities. TWA employees would own 45 per cent of the common stock of the reorganised airline; the employees have agreed about \$600m of wage and benefit cuts over a three-year period.

The remaining 55 per cent of common stock, as well as 100 per cent of preferred stock and new debt securities, would be distributed to various unsecured creditors.

Mr Glenn Zander and Mr Robin Wilson, TWA's co-chiefs, executives, said the plan set the stage for the airline to emerge from bankruptcy ahead of the peak summer travel season.

They claimed it established the framework of a sound debt and capital structure under which TWA could return to profitability.

Mr Charles MacDonald, chairman of the creditors' committee, called the plan "a watershed event" and said that while negotiations would continue, the filing of the plan meant the main elements had been agreed.

The next step is expected to be a court hearing on TWA's statement, to be held soon.

The plan cannot become effective without further bankruptcy court proceedings and acceptance by TWA creditors.

The plan's strategy includes shrinking TWA operations to eliminate unprofitable routes and reconfiguring the aircraft fleet.

Desjardins has third best year

CANADA'S biggest co-operative financial institution, the Quebec-based Desjardins, says 1992 proved its third best year in spite of the recession, higher loan loss provisions and commercial property problems at its affiliated trust company, writes Robert Gibbons in Montreal.

Desjardins operates nearly 1,500 retail banking branches, life and general insurance units and a wholesale banking operation. Net profits rose 18 per cent to C\$266m (US\$228m) from the year before. Assets rose 9 per cent to C\$565m, well ahead of its Quebec rival, National Bank of Canada.

Desjardins' net income for 1992 was C\$115m (US\$97m), up from C\$97m (US\$82m) in 1991. The company's return on assets was 1.2 per cent, compared with 1.1 per cent for the National Bank.

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Navistar reduces loss to \$5m on improved sales

By Laurie Morse in Chicago

AN increase in deliveries of medium and heavy trucks and diesel engines helped Chicago-based Navistar International to trim its first-quarter loss to \$5m, or 5 cents per share, from last year's first-quarter deficit of \$32m, or 18 cents.

Mr James Cotting, chairman, attributed the improvement to higher sales and reduced operating costs.

Sales revenue at the company, which is North America's largest truck manufacturer formerly known as International Harvester, rose by 15 per cent to \$1.05bn in the quarter, up from \$920m a year earlier.

Much of Navistar's sales gains reflected a 18 per cent increase in retail deliveries, to 16,800 units in the quarter. Shipments of mid-range diesel engines to other truck manu-



James Cotting: Sales revenue advanced 15% to \$1.05bn

factures rose 18 per cent, and sales of replacement parts rose 6 per cent over the first quarter of 1992.

Navistar said orders for its trucks continued to be strong in the second quarter. As a

result, the company revised upwards its projections for north American medium and heavy truck sales. For 1993, it projects industry demand for medium trucks and school buses will reach 129,700 units, about 10 per cent higher than 1992. It is projecting heavy truck demand at 147,800 units this year, an 18 per cent increase.

Navistar is in the middle of talks with its unions to restructure healthcare and retirement costs. In January, Navistar employees represented by the United Auto Workers Union ratified a new labour agreement.

The company's long-term debt in its manufacturing operations, as a percentage of equity, rose to 33 per cent in the first quarter, up from 21 per cent in the same period of 1992.

TransAmerica pushed to record

By Patrick Harverson in New York

TRANSAMERICA, the San Francisco-based financial services group, yesterday reported record fourth-quarter profits from continuing operations of \$86.5m, thanks to strong performance from its consumer lending, leasing, property services and life insurance operations.

The group's net income for the quarter, however, was only \$11.5m, after a \$75m provision for estimated losses from the disposal of a majority interest

in its property casualty insurance operations, which was sold in the second quarter through an initial public offering of stock.

In the fourth quarter last year, TransAmerica incurred a loss of \$94.5m in the wake of a \$130m after-tax charge at its commercial lending unit.

For the full year 1992, TransAmerica reported net income of \$43m, up from \$60.1m in 1991. Excluding the provision for discontinued operations and investment gains, the group's earnings last year totalled a record \$387.8m.

Among TransAmerica's various businesses, earnings from the consumer lending operations set records for both the final quarter and year, while the commercial finance operation bounced back into profit after four quarters of losses in 1991.

The group's leasing operation reported a small increase in quarterly earnings, and profits at its property tax services business were at record levels.

On the insurance side, operating income from life insurance rose 35 per cent in the final quarter.

Loblaws slows fall in earnings

By Robert Gibbons in Montreal

LOBLAWS, Canada's biggest food distributor and controlled by the George Weston group, slowed a long slide in profits in the final quarter of the fiscal year ended January 2 1993.

However, food price wars in eastern Canada and the US continued and Loblaws took a special C\$10m (US\$7.90) charge to cover problems with a US subsidiary recently sold.

Fourth-quarter net profits fell to C\$28.8m from C\$39.5m, on revenues 19 per cent ahead at C\$2.4bn. Per-share earnings came to 38 cents in both periods. For the year, net profits

fell 24 per cent to C\$79.2m or 88 cents a share, from C\$104.7m or C\$1.17. Revenues rose 3 per cent to C\$94.6bn.

Loblaws said it continued to improve market share and expected reasonable growth this year.

Confederation Life, one of Canada's biggest insurers, has been hit by property losses. Net profits for 1992 fell to C\$1.9m, after C\$161m of special charges, from C\$17.3m a year earlier. Revenues slipped by nearly 10 per cent to C\$3.9bn. Commercial property investments totalled C\$7.5bn or 40 per cent of assets.

Torstar, publisher of the Toronto Star, Canada's biggest

daily newspaper, earned net profits of C\$45.8m or C\$1.21 a share in 1992, including a C\$45m special gain, against losses of C\$3.4m or 9 cents a share in 1991. Revenues rose 3 per cent to \$21m. Newspaper publishing was hit by lower advertising, but books improved, the group said.

Molson, the Canadian brewing and retailing group, plans to buy back up to 4.8m non-voting A shares and may propose a buy law to ensure that A stockholders would participate equally with the voting stock in case of a takeover. The buy-back will be financed with C\$180m received in a drawing deal with Miller of the US.

Mr Ernesto Martens, chief executive, said 1992 was "a complex period due to macro-economic conditions", but said he hoped this year his company would consolidate dynamic growth, reduce the level of indebtedness, and improve productivity.

Vitro's margins fell particularly sharply in the US, in part due to operating difficulties with Anchor Glass, its US subsidiary. Exports, however, reached \$37m, an increase in dollar terms of 7.4 per cent.

Vitro hit by sluggish growth in Mexico

By Damian Fraser in Mexico City

VITRO, the large Mexican glass company, yesterday announced net profits of 602m new pesos (\$200m) last year, 11 per cent less in real terms than in 1991. Sales reached 10.32bn new pesos, a 2.4 per cent increase after inflation.

The company blamed the fall in profits on the sluggish growth in Mexico and the US, higher domestic interest rates

and real appreciation of the peso. Nearly half of Vitro's sales were in the US, making it particularly vulnerable to a strong peso and a weak US economy.

During the year Vitro acquired two local glass companies - Vidriera Oriental and Alim de Mexico - and bought ACI of the US. Without these acquisitions, sales last year would have fallen by 3 per cent.

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Schroders venture arm dilutes holding in Mitel

By Bernard Simon in Toronto

SCHRODERS Ventures, the venture-capital arm of Schroders, the UK merchant bank, is to dilute its 51 per cent shareholding in Mitel through a public equity offering by the Canadian telephone equipment maker.

Mitel said yesterday that it was in the process of filing a prospectus for a common share issue underwritten by Scotia-McLeod, Midland Watwyn and Wood Gundy.

The size and price of the offering will be determined in early March.

Mitel begins presentations to

institutional investors and analysts in London today.

Schroder, representing several international investment partnerships, bought its stake in Mitel from British Telecom last year.

It has indicated that it will buy up to C\$10m (US\$7.5m) of the newly-issued shares. As a result, Schroder's shareholding is expected to be reduced, but it is likely to remain the largest single shareholder.

Schroder paid C\$1 per share for the BT stake last June. Mitel shares stood at C\$2.22 in early trading on the Toronto stock exchange yesterday.

Swedish purchase holds back Henkel's profits

By Ariane Gossard in Bonn

HENKEL, the German chemicals, cosmetics and household goods group, recorded a 10 per cent fall in profits last year, mainly due to the costs of restructuring and acquisitions.

Pre-tax profits for the year ended December 31, 1992, fell to "around DM400m" (\$250m) while total sales rose by 9 per cent to DM14.1bn. Sales in Germany grew by 5 per cent and sales abroad rose by 16 per cent.

Turnover was boosted by a 53 per cent increase in sales of cosmetics, which rose from DM1bn to DM1.5bn as a result of the acquisition from Swe-

den's Nobel Industries of Barmingen, the household and personal products company.

Henkel bought Barmingen early last year for DM900m. A company spokesman said the fall in profits was mainly due to the cost of financing the acquisition and to the expected bigger marketing costs for Barmingen products. Cosmetics sales accounted in 1992 for 10.9 per cent of the group's total sales, as compared with 7.8 per cent the previous year.

The group also suffered an undisclosed fall in the sales of chemicals products, which had been hit by the appreciation of the D-Mark against the dollar in 1992.

Turner TV empire drops 30% in final term

By Alan Friedman in New York

TURNER Broadcasting System (TBS), the Atlanta-based cable television empire controlled by Mr Ted Turner, yesterday reported a 30 per cent decline in net profits for the last three months of 1992, to \$30m.

Revenues in the 1992 fourth quarter rose to \$536m from \$492m a year before.

The company's full-year net income fell to \$78m from \$88m in 1991.

Consolidated revenues for the whole of 1992 were 20 per cent higher at \$1.77bn, while operating profits for the year declined slightly, to \$359m from \$377m in 1991.

TBS attributed the fall to special charges associated with the termination of operations for the Checkout Channel, a cable service used in supermarkets.

Without this charge TBS said operating profit for the whole of last year would have risen by 3 per cent to \$366m, while net profits for 1992 would have been \$94m.

The operating profit of CNN, Headline News and CNN International, the news channels, rose by 8 per cent in 1992, but the news division suffered an overall fall of 8 per cent to \$155m because of the Checkout Channel charges.

Revenues in the news division were 12 per cent higher at \$636m.

Operating profit for 1992 in the entertainment division was \$178m, an 11 per cent rise over the previous year. Revenues in the division were 19 per cent better at \$47m for the 12-month period.

Syndication and licensing revenues were 35 per cent improved in 1992 at \$359m, thanks largely to home video and theatrical revenues. However, the division suffered a \$18.7m loss, more than double the 1991 loss of \$9.5m.

The sports division produced \$1.2m of operating profit, up from \$2.3m in 1991.

Sports revenues were \$83.3m last year, compared to \$83.2m in 1991.

Whirlpool plans Asian expansion based in Singapore

By Andrew Bader in Cologne

WHIRLPOOL, the world's largest white goods manufacturer, said yesterday it was setting up an Asian headquarters in Singapore to expand its presence in the sector's fastest growing region.

The move is important for Michigan-based Whirlpool's strategy to become the first global player in the white goods industry.

"With our position in the US, Europe and Latin America, two-thirds of our strategy is in place. Asia is the one missing ingredient," said Mr David Whitman, chairman and chief executive, at the Domotex appliances fair in Cologne.

Whirlpool has subsidiaries in several Asian countries; an office in Hong Kong that is developing its Chinese strategy and a manufacturing joint venture in India.

It is the largest western player in an Asian white goods market dominated by Japanese and Korean suppliers, but still has a market share of only 1 per cent, said Mr Whitman.

He predicted that within two years the Asian market for white goods would be bigger than either western Europe or the US - where units sales were 42m and 40m respectively last year for the seven main types of large appliances.

Unit sales in Asia would grow by an average 5 per cent to 8 per cent a year over the next few years, compared with an average 2 per cent to 3 per cent in Europe and the US, he said.

The Singapore office would



David Whitman: 'Asia is the one missing ingredient'

pave the way for a change in Whirlpool's procurement strategy for Asia.

It imports white goods from Europe and the US, or purchases them from local suppliers.

The new office will include product development staff who will design white goods for Asia's many different markets, and manufacturing experts.

Mr Whitman said Whirlpool would evolve towards expanding its manufacturing in Asia through wholly-owned subsidiaries, alliances and joint ventures.

Whirlpool sells both upmarket Bauknecht machines and value-for-money Roper products in Asia, which offered "a broad array of opportunities", said Mr Whitman.

Whirlpool's brand strategy may not yet be as clearly defined in Asia as in Europe or the US, he said, but the Whirlpool mid-market brand would be the cornerstone.

Framatome in stake talks

By Alice Rawsthorn in Paris

FRAMATOME, the French state-controlled nuclear reactor group, is negotiating with CEA-Industrie, another public sector nuclear concern, to buy a 20 per cent stake in Technitome, which specialises in nuclear motors for the marine field.

The planned investment in Technitome, which was a

profitable business with sales of about FF1bn (\$183m) last year, forms part of its ongoing strategy of reducing its reliance on its declining traditional nuclear activities.

Framatome on Tuesday disclosed a fall in net profits to FF900m last year from FF980m in 1991 on sales down from FF14.2bn to FF12.5bn over the same period.

over the same period.

NEW ISSUE

This announcement appears as a matter of record only.

February, 1993



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INTERNATIONAL COMPANIES AND FINANCE

Records continue to tumble on Wall Street

Patrick Harverson on why this week's losses on equities were only a natural correction

SO FAR, 1993 has been good to the US securities industry, which is quietly confident that this year will prove as profitable as 1992, when every record in the book fell before the Wall Street earnings juggernaut.

Since the New Year, two of the main engines of profits growth for securities firms - brokerage commissions and underwriting revenues - have been firing strongly.

Trading volumes on the New York Stock Exchange and the Nasdaq electronic market have been running at extremely high levels, averaging 287m shares and 25m shares a day respectively. That is 32 per cent and 36 per cent more than in 1992, which was itself a record year for volume. When trading is busy, brokerage commissions blossom.

On the investment banking side, Wall Street houses continue to prosper. According to Securities Data in New York, during the first six weeks of this year new issues of straight corporate debt and equity (including initial public offerings of stock) totalled \$66.6bn, compared with \$69.5bn in the same period of 1992.

With underwriting business currently running ahead of 1992 - a year when all previous records for securities issuance were shattered - Wall Street's investment bankers are working in top gear, and earning fees to match.

The third engine of earnings growth is trading profits, and here the picture is less bright in the wake of recent setbacks in the equity markets, triggered by President Clinton's planned tax increases.

The profits firms earn from trading their own positions are

US domestic capital-raising issues in 1992	
Manager	\$bn
Merrill Lynch	91.0
Goldman Sachs	64.8
Lehman Brothers	52.5
Morgan Stanley	43.0
First Boston	38.8
Salomon Brothers	27.5
JP Morgan	9.2
Kidder, Peabody	8.3
Bear, Stearns	7.8
Donaldson, Lufkin	7.4

Source: IPO Information Services

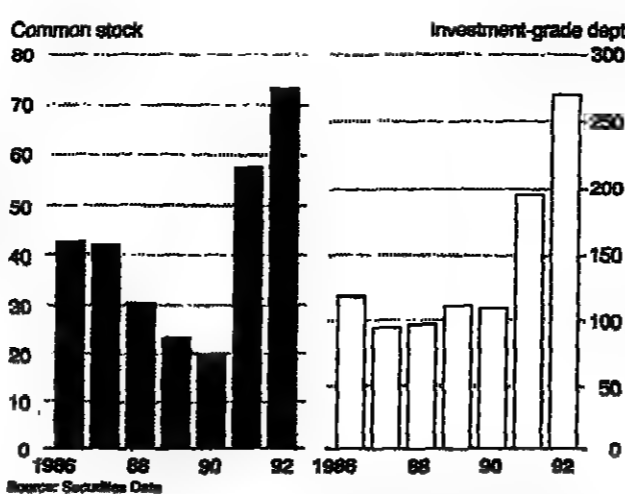
driven by the direction of markets. And, while bond prices have remained strong - thanks to low inflation, cuts in the size of government bond issues and confidence in President Clinton's ability to reduce the huge Federal deficit - the main equity indices have stumbled, barely a week after soaring to record highs.

The heavy selling of the past few days could prove a problem for securities firms if it presages a significant correction in equity prices. As Mr John Keefe, of Keefe World-wide Information Services, explains: "When the market is down, it hurts trading profits because brokers cannot escape their long positions. And, if prices keep going down, people will leave the market."

The latter is the scenario that Wall Street fears most. A feature of the industry's boom has been the return of the individual investor to the stock market, which has had a positive knock-on effect on almost every line of business.

It has boosted brokerage commissions; lifted trading profits by keeping prices buoyant; fuelled strong growth in

Volume of new US issues



firms' revenues from asset management, because individuals have been entrusting more of their money to professional managers; and provided a huge pool of capital to invest in new corporate stock, thus keeping the underwriters busy.

Few Wall Street economists, however, are predicting the stock market will nosedive this year. The run-up in prices two weeks ago was based on confidence in the economic and business outlook. The subsequent downturn was disappointment at the President's plans for tax increases, which investors fear could retard growth.

Hence, this week's losses were viewed as a natural correction that is unlikely to turn into a rout. Most forecasters expect the Dow Jones Industrial Average and the Standard & Poor's 500 to end 1993 with solid gains for the year. Wall Street is also confident

that the flows of investor capital into equities will not dry up. Interest rates remain at 30-year lows, which means investors will move their money out of poor-yielding short-term assets, like cash and money-market funds, and into more speculative but higher-yielding assets, like stocks.

Unless interest rates rise sharply this year, funds are likely to continue to pour into the equity markets. This will keep commissions buoyant and help sustain growth in the fee-based revenues securities firms earn from managing customers' assets - a relatively new area of business that Wall Street firms have been building up in recent years as a protection against more volatile trading-related revenues.

Low interest rates are also good for securities firms in other ways. First, they keep the underwriters busy. In the past two years, US companies, eager to take advantage of low

borrowing rates, have been issuing new debt in record amounts. They have also been issuing record amounts of new equity because of strong stock markets and heavy demand from investors.

Second, low rates keep down the cost of the industry's raw material - capital. The big firms are particularly good at leveraging that capital and using it to make big profits from proprietary trading. Moreover, if the spread between short and long-term rates remains wide this year, as it has for the past 18 months, then Wall Street will continue to reap profits from borrowing short and lending long.

Much, therefore, depends on the interest rate environment remaining favourable. Although rates will probably rise this year as economic growth improves, President Clinton's planned tax increases, coupled with his relatively tough stance on cutting the deficit, plus low inflation, should keep interest rates at levels that are still low by recent historical standards.

While the overall outlook for the securities industry is bright, at least one leading firm faces a rocky road. In the recent batch of fourth-quarter 1992 results, Shearson Lehman Brothers stood out with a large loss, incurred in the wake of write-downs for litigation and sound property investments.

The problems at Shearson, however, go deeper than possible legal action and ill-judged past investments. The firm's costs, especially its employee compensation payments, have been growing faster than revenues.

South China Morning Post lags at mid-term

By Simon Davies in Hong Kong

SOUTH CHINA MORNING POST Holdings, part of Mr Rupert Murdoch's News Corporation which publishes Hong Kong's leading English language newspaper, has reported slower first-half profits but plans to pay an unchanged interim dividend.

Net profit for the six months to ended December fell to \$10.2m (US\$3.2m), a 3 per cent decline from the \$10.5m recorded in 1991. The interim dividend is being held at 6 cents a share.

The profits decline was a result of the acquisition of loss-making Chinese language newspaper Wah Kiu Yat Po. An additional factor was a substantially increased tax bill, due to the company having had fully utilised tax losses that had resulted in minimal tax over the previous five years.

Tax increased from \$10.2m to \$10.5m, but the company predicted that net profit for the full year would exceed the 1992 level.

After years of inactivity, the publishing group recently signed up a \$100m deal to sell its premises in Quarry Bay to Swire Pacific, moving its printing and distribution operations to the New Territories. The company has also purchased a 15 per cent stake in the Bangkok Post in Thailand, while it is currently endeavouring to turn around the ailing Wah Kiu Yat Po.

Kong Wah Holdings, the Hong Kong consumer electronics group, has ventured into China's container port development through a joint venture with a Shenzhen-based concern, AP-DJ reports from Hong Kong. The venture, Shenzhen Harbour City Industrial Development, will have an initial capital of about 160m yuan (\$24.7m). It will develop container terminals and a warehouse complex in the development zone.

The Chinese partner is Nanshai Oil Shenzhen Development and Service.

Kirin Brewery sees profits fall despite sales rise

By Emiko Terazono in Tokyo

KIRIN BREWERY, Japan's largest food and beverage company, reported a rise in 1992 sales thanks mainly to its premium beer, Ichiban Shibori, but posted a fall in non-consolidated profits.

Pre-tax profits fell 4.3 per cent to ¥82.7bn (\$689m), despite a 3.8 per cent rise in sales to ¥1,506.1bn. Kirin said sales of its core businesses, including beer and pharmaceuticals, showed a firm increase. After-tax profits improved by 2.2 per cent to ¥77.5bn.

Kirin's balance on financial items fell by ¥8.8bn, due to a decline in interest income and a ¥900bn loss on its stock holdings. However, a 3.4 per cent

rise in beer sales to ¥1,228bn and a 8.4 per cent jump in pharmaceutical sales to ¥18.6bn contributed to the overall sales rise.

Kirin said it would be introducing a new brand called Nippon Blend. Japan's brewers face increasing pressure to produce a number of new brews each year and are now seeing competition from imported brands.

This year, Kirin expects pre-tax profits to rise 0.3 per cent to ¥83bn on a 3.2 per cent rise in sales to ¥1,410bn.

The brewer warns that increased losses on financial items would depress profits. Annual capital spending is expected to rise 15.2 per cent to ¥98bn.

Sparebanken reduces its losses to Nkr169m

By Karen Fosell in Oslo

SPAREBANKEN NOR, Norway's biggest savings bank known internationally as Union Bank of Norway, yesterday announced a significant reduction to Nkr169m (\$24.5m) in pre-tax losses for 1992, from Nkr1.03bn a year earlier.

The recovery was due to an increase in net interest income to Nkr2.6bn, from Nkr2.5bn, and a rise in operating income to Nkr3.7bn from Nkr3.3bn. But losses on loans and guarantees stayed at Nkr1.5bn, the same as 1991.

Operating losses, including credit losses, fell to Nkr271m last year, from Nkr907m. The bank said it had reduced costs by 12 per cent to Nkr2.4bn.

The substantial work which was undertaken to reduce costs and improve the bank's operational income yielded results in a difficult market. The bank's income before losses was significantly improved, Sparebanken Nor said.

Operating profit, before credit losses and write-offs, more than doubled to

Nkr1.3bn, from Nkr602m in 1991.

Sparebanken Nor said the domestic economic situation last year was weak and that bankruptcies had risen to a record level as property prices continued to fall.

The bank said it would make a loss for 1993 but that this would show another substantial reduction. Last year, Sparebanken Nor improved its capital adequacy to 9.2 per cent of risk-weighted assets, from 6 per cent in 1991.

The bank said that the past year had seen reduced demand and tougher competition.

Alubaf Arab International Bank (AAB) returned to profit in 1992 after heavy losses in the previous two years caused by the Gulf crisis. Reuter reports from Manama. The Bahrain-based offshore bank said net profit was \$512,000, compared with losses of \$27.3m in 1991 and \$64.5m in 1990.

AAB, now part of the Libyan Arab Foreign Bank group, has used its entire paid-up capital and reserves to write-off accumulated losses.

Malaysia's UMW falls back 34%

By Kieran Cooke in Kuala Lumpur

UMW HOLDINGS, one of Malaysia's biggest motor vehicle assemblers and heavy equipment distributors, has announced a 34 per cent drop in pre-tax profits to M\$137.6m (US\$52m) for 1992.

UMW says government mea-

sures to curb consumer spending and control inflation, particularly restrictions on hire-purchase agreements, caused a sharp drop in vehicle sales and profits.

UMW says vehicle sales are likely to pick up with the recent lifting of some of these restrictions.

UMW, the listed subsidiary

of state-owned Permodalan Nasional, is one of the main partners, along with Daihatsu of Japan, in Malaysia's recently announced second national car project. The initial cost of the new car project is put at M\$400m.

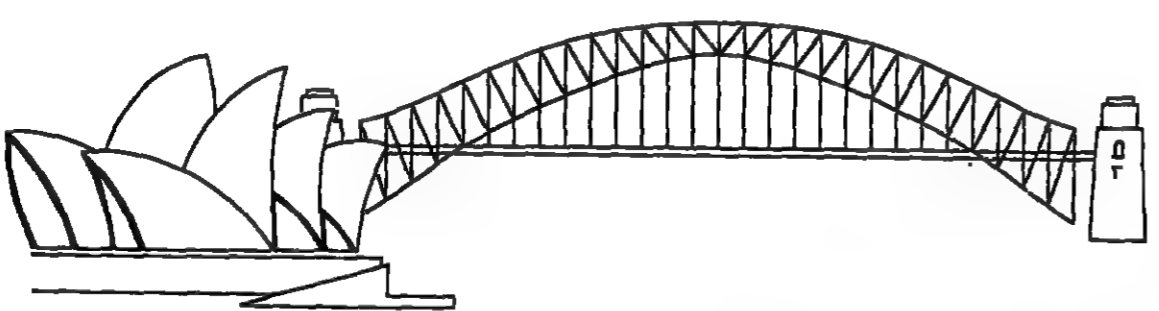
Malaysia already produces the Proton car in co-operation with Mitsubishi.

Genting invests in Subic Bay

By Kieran Cooke

GENTING, the Malaysian conglomerate with a minority stake in Loroche of the UK, is one of a group of Malaysian companies planning to invest nearly US\$100m in recreation facilities at Subic Bay, the former US naval base in the Philippines.

Genting and Resorts World, a sister company, will be lead investors in developing a 400-room hotel, a golf course, a casino and various other entertainment facilities at Subic. In the year to December 1991, most of Genting's pre-tax profits of M\$581.5m (US\$221m) came from Malaysia's only casino, outside Kuala Lumpur.

NINTH WORLD MEAT CONGRESS
SYDNEY AUSTRALIA 13-16 APRIL 1993

All enquiries to:

The Secretariat
PO Box 787 Potts Point
NSW 2011 Australia
telephone (61 2) 357 2600
Facsimile (61 2) 357 2950

Or to:

Office International de la Viande
64 rue Talibout
75009 PARIS France
telephone (1) 42.80.04.72
facsimile (1) 42.80.67.45

Midland Bank plc

Subordinated Floating Rate Notes 2001

For the three months from February 18, 1993 to May 18, 1993

the Notes will carry an interest rate of 6.2875% p.a. on

February 18, 1993, and of

£76.06 will be due per £100,000

Note and £76.56, in respect of

£50,000 Note for Coupon 28.

Citibank, N.A. (Issuer Services),

Agent Bank

Mitsubishi Bank, Limited

London Branch

As Agent Bank

Mortgage Intermediary

Note Issuer (No.1)

Amsterdam B.V.

For the three months period from 18th

February, 1993 to 18th May 1993

the Notes will bear interest at the rate

of 6.625 per cent, per annum.

Interest payable on 18th May, 1993

will amount to \$49,309

per \$100,000,000 Note.

The Coupon amount per £25,000

Note will be £403.85 payable on

18th May, 1993.

Morgan Grenfell & Co. Limited

Agent Bank

SAKURA FINANCE HONGKONG LIMITED

U.S. \$100,000,000

Guaranteed Floating Rate Notes due 1997

Guaranteed as to payment of principal and interest by

THE SAKURA BANK, LIMITED

For the three month period 18th February, 1993 to 18th May, 1993 the

Notes will carry an interest rate of 3 3/4 per annum with a coupon

amount of U.S. \$86.53 per U.S. \$100,000 Note and U.S.

\$2,163.19 per U.S. \$250,000 Note, payable on 18th May, 1993.

Bankers Trust

Company, London

Agent Bank

The Chase Manhattan Corporation

U.S. \$250,000,000

Floating Rate Subordinated Notes due 2000

For the three months 18th February, 1993 to 18th May, 1993 the

Notes will carry an interest rate of 5 1/2 per annum with a coupon

amount of U.S. \$123.61 per U.S. \$100,000 principal

amount, payable on 18th May, 1993.

Bankers Trust

Company, London

Agent Bank

NOTICE UNDER SECTION 11(2) OF THE
ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereafter referred to as "the Director") pursuant to section 11(2) of the Electricity Act 1989 (c.29) (hereafter referred to as "the Act") hereby gives notice as follows:

- (1) He proposes to make modifications to Condition 4, 4A, 4C and 4E (being part of the charge restriction conditions) of the licence which has been granted under section 6(1)(b) of the Act to The National Grid Company plc ("the licensee");
- (2) The reasons why he proposes to make the modifications and their effect were published by the Director in a statement on 7 July 1992;
- (3) In summary the effect of the modifications will be to amend the relevant Conditions in relation to the year commencing on 1 April 1993 and subsequent years by providing:
 - (i) predetermined values for "system maximum ACS demand";
 - (ii) that the Retail Price Index element of the price control formula should be calculated on a previous year basis

- (rather than an estimate of the current year) and averaged over six months;
- (iii) that Xg means three;
- (iv) that in the price control formula, Pt-1 for the year 1993/4 should be fixed at £21.496; and
- (v) that the date on which the licensee can next require a review of the price control provisions should be 31 March 1997.

A copy of the statement of 7 July and of the current draft of the modifications can be obtained (free of charge) from the Office of Electricity Regulation.

Any representations or objections to the proposed modifications may be made on or before 23 March 1993 to the Director at the Office of Electricity Regulation, Hagley House, 83-85 Hagley Road, Edgbaston, Birmingham B16 8QG.

Dr E C Marshall
Authorised on behalf of the
Director General of Electricity Supply
19 February 1993

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FINANCIAL TIMES
MAGAZINES

L'ORÉAL

Consolidated turnover for L'Oréal and the French and foreign subsidiaries rose to FF 37.57 billion in 1992, an increase of 12.3% compared to 1991.

On a comparable basis, using identical structures and exchange rates, L'Oréal consolidated turnover grew by 8.8% in 1992. Sales from cosmetics rose by 9.4%, whilst those of Synthelabo rose by 8%, a growth close to that of last year.

Profit has not yet been fully determined, but is expected to have grown at a higher rate than turnover.

Further information can be obtained by writing to Mr. François ARCHAMBAULT, Director of Investor Relations and Business Information of the L'ORÉAL group, Office 0403, 41, rue Martre, 92117 CLICHY (FRANCE); or by fax (33-1) 47568642; or by telex 613 088 (PARIS).

INTERNATIONAL CAPITAL MARKETS

Strong demand for Sweden's \$2bn global offering

By Antonia Sharpe

THE STREAM of large international issues continued yesterday as the Kingdom of Sweden launched its \$2bn, 10-year global offering to strong demand.

Meanwhile, Toyota Motor Corp announced that it planned to raise \$1.5bn through a five-year offering early next week in what would be the largest corporate deal yet seen in the Eurobond market.

Toyota's offering is expected to be priced to yield around 40 basis points above comparable US Treasuries, which syndicate managers said was fair value in view of the car manufacturer's triple A rating and its scarcity value in the market.

The proposed yield is close to that on Toyota's \$1bn five-year Eurobond which was launched last May, the biggest corporate issue currently.

The flood of issues fanned rumours yesterday that a big UK corporate utility or a Scandinavian sovereign was sounding the market for a possible sterling-denominated Eurobond.

Officials at the joint lead underwriters of the Swedish deal, Salomon Brothers and Morgan Stanley, said that demand for the bonds was centred in Europe but that there was also good interest from Tokyo and New York. However, they discounted market talk that the deal would be raised to \$3bn.

There were reports that European investors were willing to pay 40 basis points above the 6 1/2 per cent US Treasury due 2003, well below the indicated range of 42-45 basis points. This suggested that the deal would be priced at the lower end of the range.

The current fashion of global deals is expected to continue during the next few weeks and the Republic of Italy is said to be considering a dollar global offering.

The World Bank's \$200bn global offering, launched on Wednesday, was priced at 25 basis points over the benchmark Japanese government bond No 145 yesterday. This was at the lower end of the indicated range of 25 to 27 basis points and in line with expectations.

The minimum coupon on the notes is 4.5 per cent, which compares with three-month dollar Libor of 3.25 per cent, and the maximum is 25 per cent. By late yesterday, the bonds had not been freed to trade.

Lehman Brothers also provided the market's other co-ordinator issue, a \$125m five-year offering for the Mexican company, Gruma, the world's largest tortilla manufacturer. Gruma generates \$300m annually in the US.

The bonds were priced to yield 445 basis points above the 5 1/2 per cent US Treasury due 1998, in the middle of the indicated range of 430-455 basis points.

An official at Lehman said that price was chosen so that both the issuer and the investors could share the impact of the rise in the underlying US bond prices yesterday.

She added that the yield was close to that of other dollar-denominated Mexican corporate paper.

THE KUWAITI authorities have for the first time conceded that the row surrounding investments by the Kuwait Investment Office (KIO) in Spain is seriously damaging the emirate's standing in international credit markets.

Mr Abdullah al-Gabandi, the head of the Kuwait Investment Authority (KIA), the KIO's controlling body, told a group of Spanish journalists in Kuwait that Kuwait had been forced to postpone a borrowing in the international capital markets for December.

"The loss of image provoked by the KIO case and the way it has been treated makes it difficult to obtain credits and those that are available would be very expensive," Mr al-Gabandi was quoted as saying.

The KIA negotiated a \$5.5bn loan for Kuwait soon after the war that ended the Iraqi invasion in 1991. But after new managers took over the KIO last May they quickly became involved in a vitriolic and public row over what they allege was \$650m lost by their predecessors in risky investments in Spain. Bankers in London said yesterday the row had "inevitably" undermined the emirate's position in debt markets.

There are few signs of the row subsiding although two attempts to bring criminal charges against former managers of the KIO and its Spanish operations have been rebuffed this year by the Spanish courts for lack of evidence.

The new KIO management says it is determined to continue pursuing Sheikh Fahad al-Sabah, the former KIO chairman, Mr Fouad Jaffer, its former general manager, and Mr Javier de la Rosa, the former manager of their Spanish operations, for alleged fraud.

While this effort will keep the affair public, it appears increasingly to have Kuwaiti political rather than legal objectives. Mr al-Gabandi, who said Kuwaitis were "furious" about what had happened in Spain, pointedly did not accuse the former KIO management of illegals. Instead, he said the KIA's investment guidelines had been ignored. The KIO should have contracted an institution and not Mr de la Rosa to run its affairs in Spain, he said.

These remarks reflect the marked differences of opinion now emerging from Kuwait on just how the KIO's Spanish debacle should be concluded. The new KIO management currently reports directly to the finance minister and is being encouraged to keep up public pressure on the former KIO management.

In contrast, Mr al-Gabandi appears to favour an internal, less public, settlement which would in effect shift Kuwait's sensitive finances away from public scrutiny.

The desirability of the KIA taking control of all of the KIO's direct investments overseas has been canvassed inside Kuwait in recent weeks.

Kuwaitis concede serious damage from KIO row

By Peter Bruce in Madrid

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Treasuries rise across the board amid heavy buying

By Patrick Harverson
Before the speech some investors had worried that the package would lack credibility, but bond market analysts said that Mr Clinton's forthright account of the economic troubles facing the country, and his outline of the solutions, convinced investors that deficit reduction can work, and that the planned tax increases will be implemented.

THE US Treasury market yesterday responded enthusiastically to President Clinton's economic plan, with prices rising sharply across the board.

Before the speech some investors had worried that the package would lack credibility, but bond market analysts said that Mr Clinton's forthright account of the economic troubles facing the country, and his outline of the solutions, convinced investors that deficit reduction can work, and that the planned tax increases will be implemented.

The latter is doubly positive for the Treasury market because higher taxes could slow the rate of economic growth and subside inflation. Bond prices rose strongly despite economic news that was bearish for the market. The day's statistics included a 19,000 drop in weekly jobless claims, a larger-than-expected 0.5 per cent increase in January consumer prices, and a 0.4 per cent rise in January industrial output.

BETTER-than-expected US jobs data prompted little enthusiasm in the gilt market yesterday, where prices ended virtually unchanged. The number of unemployed rose by 22,100 in January, keeping the seasonally adjusted total just below the 3m level. The Bank of England's first inflation report earlier this week has also deflated sentiment by suggesting that an early interest cut is not on the cards, dealers said.

On the London International Financial Futures and Options Exchange, the long gilt future ended at 109.27, down 1/8 from Wednesday's close, and off earlier highs. However, the two top stocks announced on Tuesday after-

noon were partly sold yesterday, dealers said.

GERMAN government bonds firmed slightly yesterday, on market speculation that money supply data due early next week will be positive for the bond market. This would mean improved prospects for further interest rate cuts.

JAPANESE government bonds continued to rally on strong investor demand, but came off the highs of the day as investors took profits. The recent rally in Japanese government bonds has been

helped by the strengthening of the yen against the US dollar. The June futures contract opened at 109.94 and traded up to a high of 110.15 before ending at 109.96.

ITALIAN bonds ended lower

FT FIXED INTEREST INDICES

	Feb 10	Feb 17	Feb 18	Feb 19	Feb 20	Year ago	High*	Low*
Real Bills (Bill)	98.13	98.00	95.96	95.05	95.72	98.37	98.13	95.11
Fixed Interest	117.83	117.75	111.80	111.92	112.18	107.40	112.80	97.15
Includes 100 Government Securities 1910/20; Fixed Interest 1920.								
by 1920/25. Government Securities high since compilation; 127.46 (9/19/30), low 48.18 (9/1/70)								

COMPANY NEWS: UK

Advance to £46.3m helped by cut in bad debt provisions to £7m

Kleinwort Benson ahead 66%

By Robert Peston,
Banking Editor

KLEINWORT Benson's pre-tax profits recovered sharply in 1992, mainly because of a drop in bad debt provisions from £39m to £7m.

The merchant banking group also disclosed that Mr David Peake, its chairman, would retire at the next annual meeting on April 28, to be replaced by Lord Rockley, currently a vice chairman.

Profits of the merchant banking group increased 66 per cent to £46.3m. However, after-tax profits rose by only 10 per cent to £21.3m because Kleinwort was forced to take an exceptional tax charge of £13.6m in its profit and loss account as an adjustment to the accrued tax losses it carries in its balance sheet.

Mr Jonathan Agnew, Klein-

wort's chief executive, insisted that the exceptional tax charge was an accounting nicety: "It has no economic effect on us."

The charge relates to financial transactions carried out by Kleinwort in 1983 with the purpose of generating tax losses. It then included these assets in its balance sheet as an asset.

In preparing the latest accounts, Kleinwort re-examined the transactions and decided the losses should be removed from the balance sheet.

However, Mr Agnew said that Kleinwort would still be able to benefit from the losses by reducing the tax it pays in future. The losses were now a contingent off-balance sheet asset.

The growth in 1992 pre-tax profits was held back by a £10m charge to cover the costs

of the group's surplus office space in the UK and the US.

The merchant banking and securities division pushed up profits from £24.7m to £38m, while the investment management and private banking division suffered a small drop from £24.4m to £22.1m.

Within the merchant banking and securities operations, Kleinwort's Japanese securities business made a loss and there was also a drop in profits from the corporate finance department, which is the traditional heart of the group.

There were sharp profit increases in the treasury operations and the financing business.

The proposed final dividend is maintained at 10.7p, giving an unchanged total for the year of 15p.

Earnings per share, exclu-

ding the exceptional tax charge, increased from 14.3p to 26.6p.

Mr Peake, 58, said he had been thinking about retiring "for some months", but other board members were putting no pressure on him to go.

He preferred to go now, to allow Lord Rockley, who is a few months older than him, to do the job for a few years.

Lord Rockley is seen by Kleinwort executives as chairman for a transitional period, while the next generation of senior Kleinwort executives acquire more experience.

However, some Kleinwort executives said they were slightly surprised that Mr Peake had not been replaced by Mr Simon Robertson, 51, who was appointed deputy chairman last year.

See Observer

Control Securities' shareholders funds deficit

By Maggie Urry

CONTROL SECURITIES, the property and leisure group, said yesterday that a further write-down of property values and other exceptional costs totalling £68.4m, had left the company with a deficit on shareholders' funds of £31.8m.

It called an extraordinary meeting for March 17 to ask shareholders to support the board's continued discussions with banks, bondholders and creditors. The shares have been suspended since October 1991.

Mr Sydney Robin, chairman, said that the group's "complex and delicate" restructuring was taking "considerably longer than had been anticipated". He said there were still some significant issues to be resolved.

However, he said that holders of the group's £57.200m (£92m) of bonds would be offered equity in place of a quarter of the principal amount and a new repayment date on the rest of 2000. The two issues, each of £57.100m, have maturities in 1994 and 1997.

Banks which lent to Control Securities have security over the group's assets and are not expected to swap any debt for equity. Control Securities is also negotiating with Bass, the leisure group, from which it bought some Spanish hotels in 1989. Bass was due to receive a final instalment of £11m last September, but has not yet been paid.

The group announced interim results for the period to September 30, showing trading profits slightly lower at £17.2m (£17.7m) on sales 11 per cent higher at £56.2m.

However, interest charges of £17.3m (£12.8m) and the exceptional costs left losses of £68.5m before tax (profit £4.4m). The net loss was £62.1m or 16.73p a share (profit £2.1m and earnings per share of 0.56p).

The exceptional costs included a £32.8m write down of property values. This largely related to a valuation done at December 31 on a "Red Book" basis - complying with the Royal Institution of Chartered Surveyors guidance on property valuation - necessary before the company's shares could be listed.

The valuation basis assumes sales of properties within a short time period, while Control Securities' business plan envisages a controlled sale of assets over a longer period. Mr Robin said "this valuation basis has been the prime cause of the requirement for additional write-downs against UK property values." He said the directors believed they could realise better values.

The exceptional items also included a debit of £14.4m covering the effect on the principal value of the Swiss franc bonds caused by sterling's devaluation. The group had covered its exposure to the Swiss franc until mid-August, but could not continue to do so after that.

At the trading level, the property division contributed £6.6m (£7.5m), mainly because of a fall in rental income as some properties were vacated when tenants failed. The leisure division made an unchanged £10.6m.

See Observer

Banks want to maintain Mirror's Labour stance

By Andrew Bolger
and Robert Peston

THE FOUR banks which are majority shareholders in Mirror Group Newspapers said yesterday that they would be "very concerned" if the political stance of the newspaper were altered from its tradition of supporting the Labour Party.

National Westminster, Midland, Goldman Sachs and Lloyds have indicated that they would become more actively involved in MGN's affairs if they feared that the business was becoming unstable as a result of editorial changes.

The banks' comments come against the background of criticism of MGN from the Labour Party, following the resignation this week of Mr Alastair Campbell, the Daily Mirror's political editor.

Meanwhile, MGN last night denied that there was a boardroom rift over Mr Campbell's departure, which has also attracted criticism from Mirror journalists.

Mr Charles Wilson, MGN's editorial director, said there was no split between Lord Hollick, the Labour peer, and Mr David Montgomery, brought in last October to become MGN's chief executive.

Lord Hollick, chairman of the media and finance group MAI and Meridian, the new television station in the south of England, has rejected recent reports that he wants control of MGN. He declined to comment yesterday.

Mr Wilson said: "Lord Hollick is in a difficult position as a member of the Labour Party and a peer. He's with people at



Lord Hollick: rejects reports of wanting control of MGN

Westminster who are having their concerns agitated by elements within the Mirror - and I don't mean at boardroom level."

He added: "There is absolutely no indication at all that this paper is drifting away from the Labour Party. We totally support the Labour Party."

The future of the former Maxwell newspaper group lies in the hands of the four banks, whose 54 per cent stake is held by administrator Mr John Talbot of Arthur Andersen.

The banks are communicating their views to the MGN board through Mr Talbot.

They received the shares as security for loans. Yesterday the shares closed 2p higher at 159p, valuing the group at £434m.

The figures compared with a

1991 flotation price of 125p, when the group had a market capitalisation of £501m.

MGN's shares resumed trading last July at 59p, but have climbed steadily since October as investors have been attracted by the cost-savings which Mr Montgomery pledged to make.

However, analysts said they would be concerned if the new management team's actions threatened MGN's valuable franchise on the left of the political spectrum.

More than 150 Labour MPs signed a Commons motion criticising Mr Montgomery's approach following the resignation of Mr Campbell.

Mirror journalists called for the resignation of Mr Montgomery and blamed him for the paper's continuing fall in circulation.

Zantac continues to lift Glaxo

By Paul Abrahams

ZANTAC, an ulcer treatment and the world's best-selling drug, was the main reason for Glaxo's surprisingly good interim results, announced yesterday.

The drug's sales increased by £145m to £1.03bn, providing 46 per cent of Glaxo's turnover growth.

Dr Ernest Mario, chief executive, said: "People have been talking about the demise of Zantac for the last six years. It's still doing well and it's continued improvement is not a flash in the pan."

Zantac's growth had been assisted by strong expansion in the US (up 14 per cent) and Europe (up 13 per cent).

Although the drug was losing some world market share - 39 per cent in 1992, compared with 40 per cent in 1991 - the market was still grow-

ing at 14 per cent, said Dr Mario.

Sales of respiratory products increased by 9 per cent to £512m, representing 22 per cent of group turnover. The overall respiratory market is growing at 13 per cent.

Dr Mario said there had been a 15 per cent fall in sales in the US due to wholesale stocking in anticipation of price increases. European respiratory sales increased by 16 per cent.

Sales of Ventolin, Glaxo's old asthma treatment, fell 1 per cent (4 per cent at constant exchange rates) to £239m. Beconase, the newer asthma medicine, increased 9 per cent to £223m.

Serevent, Glaxo's latest asthma treatment, added \$5m sales to total \$23m. Mr Mario said this would be a big product - it had yet to be launched in the US, Japan or Germany,

the world's three largest markets.

Antibiotic sales increased by 21 per cent to £1.2bn. Zinnat, an oral antibiotic, increased sales by 49 per cent to £160m.

Sales of Zofran, the anti-nausea treatment, rose 36 per cent, from £120m to £163m. US sales increased by 42 per cent.

Imigran, a migraine drug also known as Sumatriptan, generated sales of £35m. The full-year figures will include the first contributions from Germany and the US.

The migraine treatment has been predicted by analysts to achieve outstanding sales. However, Dr Mario warned the drug's use would not grow explosively. The speed of registration had been disappointing, particularly in the US.

Research and development expenditure grew to £335m (£277m) and was expected to reach about £735m (£585m)

by the year end. The group spends more than any other pharmaceutical company on R&D.

Operating margins for the first six months were 33 per cent, but were likely to fall to 31 per cent because of additional marketing costs associated with new drug launches, particularly in the US.

Investment income from Glaxo's £1.5bn cash-pile was \$79m (£77m).

Dr Mario said if the group could find a reasonable investment for its cash it would make it. There was little point in distributing funds to shareholders because of the advanced corporation tax implications.

Earnings per share increased by 16 per cent from 16.7p to 19.4p, while earnings per ADR rose 17 per cent to 68 cents (58 cents). The dividend is an improved 7p (6p).

Ward loses £5m as purchaser confidence sags

Ward Holdings, the house-builder and property group, blamed the severe recession for a pre-tax loss of £5.2m after exceptional charges of £2.07m for the year to October 31.

This compares with a deficit of £14m after exceptional charges of £12.9m, relating to the write-down in the value of the land bank.

Turnover remained static at £23.7m.

The final dividend is passed again - there was no interim. Losses per share were 8.8p (18.1p).

Although Ward sold 10 per cent more houses than in the previous year, it said there had been a further loss of house purchaser confidence. This was due to falling house prices, increases in unemployment and business failures, and exceptionally high levels of house repossession and mortgage repayment arrears.

The company was unable to dispose of certain investment property to reduce its gearing. It blamed the "disappointing delay" on prospective purchasers failing to complete after agreeing terms.

Agreement has been reached with its banks to extend its syndicate loans through to May 31 1994.

THE SLOVAC REPUBLIC-22ND MARCH 1993

THE CZECH REPUBLIC-23RD MARCH 1993

The FT proposes to publish these surveys on the dates shown. They will be seen by leading international businessmen in 160 countries worldwide. If you would like to promote your organisation's involvement to this important audience, please contact:

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FT SURVEYS

THE EGYPTIAN INTERNATIONAL TRADE HOLDINGS (EGINTRADE)

ANNOUNCES INVESTMENT OPPORTUNITY

The Egyptian International Trade Holdings, a company owned by the Government of Egypt, announces the proposed divestiture of:

MISR FREE SHOPS COMPANY

The Misr Free Shops Company primarily sells a wide variety of duty free merchandise including automobiles, household appliances, electrical appliances, furniture, clothing, food, cigarettes, brand name liquor, perfumes and other retail trade merchandise.

The Company operates 25 retail sale outlets and 15 warehouses located throughout Egypt, and owns a fleet of trucks and automobiles. The Misr Free Shops Company is profitable, and has no long-term debt. Parties interested in this unique opportunity may now obtain the necessary information describing the Company from:

General Manager
Investment
Banque du Caire
30 Rushdi Street
Abdeen, Cairo, Egypt
Telephone: (202) 3904554

An introduction letter from the applicant including the following information should be sent to the above address not later than 17 March, 1993:

- Name and address including phone/fax
- Nationality
- Legal entity and place of business
- Paid-up capital
- Type of business and/or main activity
- Annual turn-over

FIRST CHICAGO CORPORATION

US\$200,000,000 Floating Rate Subordinated Capital Notes Due 1997

Notice of Rate of Interest

Notice is hereby given that the rate of interest on the Floating Rate Subordinated Capital Notes due 1997 (the "Notes") issued by First Chicago Corporation for the interest period commencing 18th February 1993 and ending on 18th May 1993 has been determined to be 5 3/4 per cent per annum. The interest payment date for such interest period is 18th May 1993. The interest amount, i.e. the amount of interest payable in respect of each US\$ 10,000 principal amount of Notes, for such interest period is US\$ 129.79.

Chemical Bank

As Agent Bank for
First Chicago Corporation

LET'S GET IT RIGHT!

If you have a complaint about an item in this newspaper which concerns inaccuracy, intrusion, harassment or discrimination, write to the editor about it.

If you're still dissatisfied you can write to the Press Complaints Commission, an independent organisation established to uphold an editorial Code of Practice for the Press.

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PC

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Telephone 071 353 1248 Facsimile 071 353 8355

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BRITANNIA BUILDING SOCIETY

£125,000,000 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 18th February 1993 to (but excluding) 18th May 1993 the Notes will carry a rate of interest of 6.2875 per cent, per annum. The relevant interest payment date will be 18th May 1993. The coupon amount per £10,000.00 Note will be £153.31 and per £100,000.00 will be £1,533.12 payable against surrender of Coupon No. 17.

Hambros Bank Limited Agent Bank

USD 150,000,000 ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A.

Floating Rate Depository Receipts due 1998

Interest Rate 3.7857% p.a.

Interest Period February 18, 1993 August 18, 1993

Interest Amount due on August 18, 1993 per USD 1,000 USD 18.93 USD 10,000 USD 189.33 USD 100,000 USD 1,893.31

Banque Generale du Luxembourg Agent Bank

U.S. \$225,000,000

BACOB

BACOB Overseas Limited

(Incorporated in the Cayman Islands with limited liability)

Guaranteed Floating Rate Notes due 1994

unconditionally and irrevocably guaranteed by

BACOB Savings Bank s.c.

(Incorporated in Belgium as a co-operative limited liability company)

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 18th May, 1993 has been fixed at 3.375% per annum. The interest accruing for such three month period will be U.S. \$83.44 per U.S. \$10,000 Note and U.S. \$834.38 per U.S. \$100,000 Note against presentation of Coupon Number 6.

Union Bank of Switzerland London Branch Agent Bank

16th February, 1993



16th February, 1993

16th February, 1993

16th February, 1993

16th February, 1993

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16th February, 1993

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16th February, 1993

16th February, 1993

Proceeds of rights issue will be used to fund acquisitions

Gold Greenlees calls for £15m

By Andrew Adonis

GOLD GREENLEES Trott, the marketing services group, is raising about £14.7m net in a rights issue to fund acquisitions.

The 1-for-3 issue of up to 6.49m shares is priced at 235p. The shares shed 12p yesterday to close at 289p.

Proceeds of the rights, a rarity in the depressed advertising sector, are to be used for acquisitions planned in the next six to nine months.

Before allowing for the issue, net debt was forecast to be about £14m by the April year-end. GGT has negative net assets.

Analysts believe the company is looking to acquire small agencies with a European focus, either as subsidiaries or partners, in a move to balance its growing activities in the US.

At £4.5m, GGT's pre-tax profits for this year would be £900,000 up on last year (excluding exceptional profits), but well below 1990's £7.6m.

Last year's total dividend was 8.3p, with earnings per

share of 17.28p. The company's dividend forecast for this year is also 8.3p.

The rights issue is GGT's first for five years. It used its 1988 call to buy Martin-Williams, a Minneapolis agency, as part of an expansion strategy in the US Midwest and south-west.

US earnings last year accounted for half of GGT's gross profits. Among its clients are Coca-Cola, Red Bull, Holsten Pils and Cadbury Schweppes.

Mr Michael Greenlees, chairman, said: "Unlike Saatchi's and WPP, we have not gone in for five-year earn-outs, but have paid for purchases over 18 months or less. I want to continue on that basis."

Mr Vignesh Padischi, media analyst at BZW, said the issue was likely to be well supported by shareholders. "GGT is performing strongly in the US - with margins of 30 per cent against a sector average of 8 per cent - and there is plenty of recovery potential in the UK."

Mr Greenlees said he saw "considerable room for growth" in existing businesses,



Michael Greenlees: purchases paid for over 18 months or less

not least GGT's non-advertising (mainly marketing) activities in the UK, which last year accounted for nearly half of total UK earnings.

New man and cash call plan at Cupid

By Jane Fuller

THE FORTUNES of Cupid, the loss-making bridal wear company, are being revived by a new man at the top and by £1.5m of new money.

The USM-quoted group yesterday announced Mr Richard Shaw's appointment as chairman and chief executive alongside a rights issue and share subscription.

His aims include expanding Cupid into lingerie and possibly changing its name to help slough off a chequered reputation in the City.

About £1.5m will be raised in the 4-for-9 issue, at 28p a share. Other new shares have been subscribed for by groups of individual investors, including the Shaw family with 4.2 per cent of the enlarged equity and a Guernsey couple called Cairns with 8.5 per cent.

It was also reported that losses for the year to March 31 could total £1.5m, compared with a 2867,000 pre-tax profit last year. Early last summer, before the last rights issue, pre-tax profit forecasts were in the £1.5m to £1.7m range.

Cupid's share price, which fell to 35p last week when losses were predicted, had already started to recover on hopes of new investment and new management direction. It gained another 7p to 53p yesterday.

Mr Shaw said post-interest losses were about £300,000. In the nursery division, two factories had been closed. The head office was also being sold and the operation transferred to the Blackburn factory.

The exceptional costs of these moves, plus pay-offs to former and departing directors, accounted for the remaining 2700,000 of expected losses. Mr Michael Murray, the founder, and his wife Sue, also a director, received £100,000 when they departed in December - alongside a profits warning.

Mr Richard Lee, who has been chairman and chief executive in the interim, is also leaving.

McLeod Russel launches hostile bid for Wheway

By Roland Rudd

MCLEOD RUSSEL Holdings, the paints producer and distributor, yesterday launched a £14m hostile bid for Wheway, the struggling environmental engineering group.

Wheway shareholders are being offered one McLeod share for every 10.

McLeod's shares yesterday fell 2p to 100p; Wheway's rose 1 1/2p to 9p. The offer values each Wheway share at 10p.

The two companies have been in talks since last September. However, McLeod decided to go hostile after failing to reach agreement on price.

Mr Nigel Openshaw, McLeod chairman, said: "Wheway has had a for sale sign up for months. We have tried not to rub their noses in it, but this

is a generous offer and we cannot wait any longer."

Wheway responded by urging its shareholders to take no action. Mr Brian Long, who was recently appointed chief executive, said: "We need more time to reflect on possible alternatives."

He made it clear that the company wanted to merge with a "robust partner", but first wanted to see if it could get a better deal for shareholders.

The company is already talking to other interested parties about a possible merger.

Wheway, in need of refinancing after its costly move out of heavy engineering, last year turned in a £3.5m loss after making a £3.8m pre-tax profit the previous year.

Its share price has fallen

from more than 140p in 1989 to its current level of 9p.

At the year-end its net borrowings were £16.3m, giving gearing of more than 105 per cent.

McLeod, which has a 2.99 per cent stake in Wheway, increased its pre-tax profit from £4.2m to £5.18m for the year to September 30.

It said an enlarged group would benefit from a rationalisation of costs and the development of Wheway's clean air and environmental engineering businesses.

The enlarged group, on a pro forma basis, would have had a combined annual turnover of more than £123m.

Pro forma combined net assets and borrowings would have amounted to £37.4m and £5.5m respectively.

Alumasc restricted to £3.8m by reliance on organic growth

By Paul Chesswright, Midlands Correspondent

GROWTH AT Alumasc, the Kettering-based beer kegs, building products and precision components group, slowed in the first half as pre-tax profits rose by just 3.2 per cent from £3.53m to £3.77m.

In the last full year profits advanced 23 per cent. Without contributions from the new acquisitions that characterised 1991-92, Alumasc was

dependent during the six months to December 31 on organic growth and hence was more susceptible to the weakness of the economy.

Turnover improved to £24.3m against £23.6m. Earnings per share rose to 16.5p (16.8p) and the interim dividend is increased from 3.55p to 3.7p.

Demand for building products, the largest of the group's three operating divisions, slipped as general building activity continued to decline.

However, demand for beer kegs stabilised after a fall during the previous year.

Volume fell slightly in the precision components business, although customers have been placing dies with the company, a prelude to future orders.

The group's financial position remains stable and Mr John McCall, chairman, said it continued to seek acquisitions. Net cash balances rose by £1.6m to £4.9m, producing interest of £148,000.

Chelsea Building Society tumbles 49%

By John Gapper, Banking Correspondent

THE IMPACT of the slump in the south of England housing market on southern-based building societies was shown yesterday when Chelsea Building Society disclosed a 49 per cent fall to £4.1m in pre-tax profits for 1992.

The society's results are expected to be among the worst reported for last year, although large falls are also expected to be disclosed by Bristol & West and Cheltenham & Gloucester societies over the next month.

Chelsea's fall in profits, from £8.1m in 1991, was caused by a 60 per cent increase to £37m (£23.1m) in provisions for bad and doubtful

debts. Its gross provisions are now set at 2.9 per cent of gross commercial assets.

Operating profits rose 29 per cent to £41.1m (£31.3m), partly because of the widening of margins between savings and lending products in the last quarter of the year. The ratio of costs to income fell to 38.7 per cent (44.2 per cent).

Chelsea - the 17th biggest society with assets of £2.28bn - emphasised that efforts to reduce arrears had led to a 30 per cent cut in borrowers over six months in arrears. It predicted that provisions would be "substantially reduced" in 1993.

Mr Peter Walsh, director and general manager, said Chelsea's provisioning policy had been "very prudent".

SWP edges ahead to £42,000

SWP Group recovered slightly in the six months to December with pre-tax profits of £42,000, against a previous £31,000.

In the second half of the year to June 30 1992 the USM-quoted supplier of components to the construction industry fell into losses.

Mr Robert Stickings, chairman, said trading conditions were extremely depressed and the fall in the value of the pound had increased costs.

He added that there had been a modest increase in activity in recent weeks, but prospects for the second half were still difficult to assess.

Turnover improved to £3.71m (£3.65m) for operating profits of £138,000 (£98,000). Interest paid rose to £84,000 (£87,000).

Earnings per share were unchanged at 0.1p.

Sinclair Goldsmith in merger talks

The board of Sinclair Goldsmith Holdings, the surveyor, estate agent and ratings consultant, yesterday confirmed that it was in talks regarding a possible merger with Conrad Riblat, another estate agency.

The shares were suspended at 35p yesterday. This followed a sharp rise over the past week - early last week the shares stood at 20p.

Sinclair Goldsmith reported reduced pre-tax losses of £325,000 (£397,000) in the year to May 31 1992, on turnover down 11 per cent at £2.77m.

The final dividend was omitted leaving a total of 0.5p (2p).

Forward makes £1.7m purchase

Forward Group has bought the business and training assets of Central Circuits Group, a specialist maker and designer of printed circuit boards, from the administrative receivers. Consideration was £1.7m.

A new company, Forward Circuits (Telford), will operate from Central's existing premises in Telford.

Leslie Wise falls to £2.5m as increased costs hit margins

By Jane Fuller

INCREASED COSTS, following sterling's devaluation, cut margins at Leslie Wise Group.

Pre-tax profits at the textiles concern fell 12 per cent, from £2.88m to £2.52m, in the year to November 30 in spite of a 20 per cent increase in turnover to £48.7m.

Mr Neil Wise, who took over as chairman at the turn of the year following the death of his father Leslie, said sales had risen from start-up operations and from exports. Overseas sales were ahead 30 per cent at £8.5m.

Mr Wise said the cost of materials bought in dollars or D-Marks had risen by up to 25 per cent. Negotiations with suppliers and switching the country of supply would ameliorate the situation. The price increases passed on to customers might amount to 10 per cent.

Bad debts, including one arising from Barker's insolvency, totalled nearly £150,000 and the

closure of two out of seven start-up design companies cost a similar amount.

He said bankers to smaller private companies, "who have normally been supportive, are acting mercilessly."

If such a string of short-term problems could be avoided this year, margins could be rebuilt.

Operating profit was just over 2 per cent down at £2.84m. Interest costs rose to £221,000 (£21,000). Debt was increased by £470,000 of final deferred payments on acquisitions dating back to 1988-89. Year-end gearing stood at 40 per cent on shareholders' funds of about £7m.

Leslie Wise supplies retail groups such as Burton and Etam. Mr Wise said there were glimmers of hope of high street recovery but what was needed was a sustained period of buoyant trading.

The final dividend is held at 2.55p to give an unchanged total of 4p. Earnings per share slipped to 4.96p (5.8p).

VW to control importing of Skodas

By John Griffin

VOLKSWAGEN yesterday took full control of the import and distribution of Czech-built Skoda cars in the UK, following an agreement which ends months of friction with the previous Czech-owned importer.

The agreement between Volkswagen-controlled Skoda Automobile UK and Skoda (GB), which had imported the cars for more than 20 years, releases the 22-strong dealer network from contractual obligations to Skoda (GB), allowing them to enter contracts with Skoda Automobile UK.

The deal opens the way for

Volkswagen, which now controls Skoda and is overseeing a £3.3bn investment programme in models and plant, to pursue its plans to quadruple Skoda's UK sales to 40,000 a year. The agreement means that Skoda (GB), owned by the privatised Motokov International Czech foreign trade agency, will have no role in the business.

Skoda (GB) had been refusing to release dealers from their contracts while it sought a role as sub-contractor to Skoda Automobile UK, which appointed itself as the official importer/distributor in January. In particular, it was anxious to operate, on the VW

company's behalf, the import and preparation centre at Kings Lynn, which had employed more than 100 people.

Skoda Automobile UK has opted instead to import the vehicles through Southampton, which handles imports of cars built by SEAT of Spain - also controlled by Volkswagen.

Preparation of both makes at the port has been subcontracted to Southampton Vehicle Terminals with Richard Lawson Car Delivery Group, which is based in Dundee and distributes SEATs from Southampton, taking on Skoda deliveries as well.

English & Overseas Properties reduces loss

ENGLISH & Overseas Properties cut pre-tax losses from £2.32m to £707,000 in 1992, after charging exceptional items of £982,000, against £2.48m, a sizeable part of which was provided at the half year.

As indicated at the interim stage, there is no dividend (1p). Losses per share came out at 2.89p (14.34p).

Mr Jim Clark, chairman, said the company had taken steps to reorganise its capital and reserves. Progress had been encouraging with one outstanding matter to be resolved before the company could apply for court and shareholder approval.

He said legal advice received indicated that such a reorganisation should be successful, particularly as E&OP's trade creditors were minimal and the cash position was still strong at £4.7m.

Entering 1993 with the majority of its properties let and substantial cash balances available for new investment, Mr Clark said medium term growth prospects were encouraging.

Mr Clark said opportunities to acquire companies and properties where E&OP could add value were increasing and he believed 1993 could be the "window of opportunity" for such acquisitions.

Shield reaches new agreement on banking

Shield Group, the estate agency and property company, has reached agreement with one of its bankers.

The bank has agreed to assign to Shield liabilities comprising loans, overdrafts and accrued interest totalling £448,000, owed by certain dormant subsidiaries, in return for £50,000.

The effect is that group pre-tax profits for the year ended March 31 1993 and net assets at that date will be increased by £398,000.

Mr Nicholas Warriner Brown has acquired 300,000 ordinary shares (3.11 per cent) in the company.

PARBELUX FINANCE S.A.

10 Boulevard Royal
LUXEMBOURG B 23. 513

NOTICE

of an Extraordinary General Meeting of the Noteholders of PARBELUX FINANCE S.A.
DKK 300,000,000 10.5% 1987/1993
Notes due 1993

An Extraordinary General Meeting of Noteholders of PARBELUX FINANCE S.A. DKK 300,000,000 10.5% Notes due 1993 will be held at the registered office 10, Boulevard Royal, Luxembourg, on March 16, 1993 at 10.00 a.m. to deliberate on the following agenda:

Amendment of the Terms and Conditions of the Notes in order to insert a new article "Substitution" which reads as follows:

"SUBSTITUTION
The issuer may procure that another corporation is substituted for the issuer as the debtor under the Notes and Coupons by assigning all its rights and obligations under the Notes and Coupons to such other corporation (the "New Company") provided that in the case of a substitution the Guarantors guarantee the payment of principal and interest in respect of the Notes. Each noteholder and couponholder will be deemed to consent to such substitution and assignment and, upon the New Company assuming all the rights and obligations of the issuer under the Notes and Coupons as fully and effectively as though it had been the original issuer of the Notes, the issuer shall be released from all liabilities under the Notes and Coupons and the Notes and Coupons shall thereafter be deemed to be modified so that references to the issuer are construed as references to the New Company and references to the Guarantors shall be construed as references to the Guarantors of the New Company in the country or countries in which the New Company is incorporated or resident. Notice shall be given in accordance with "Notice" by the issuer to the Noteholders as soon as possible and in any event no later than 15 days after the day of such substitution.
At this Meeting the required quorum will be 75 per cent.

For the purpose of obtaining voting certificates, the noteholders are required to deposit their Notes at the latest two business days prior to the Meeting at the offices of the Paying Agent, Banque Paribas Luxembourg, 10A, Boulevard Royal, Luxembourg.
Voting instructions should be lodged with Banque Paribas Luxembourg two business days before the Meeting.
The Board of Directors

NOTICE TO THE WARRANT HOLDERS OF GOOD STEEL, LTD.

Warrants to subscribe for shares of common stock of Good Steel, Ltd. issued with U.S. \$70,000,000 4% per cent. Guaranteed Notes 1993 (the "1993 Warrants")

Warrants to subscribe for shares of common stock of Good Steel, Ltd. issued with U.S. \$150,000,000 2% per cent. Guaranteed Notes 1994 (the "1994 Warrants")

Pursuant to Clause 4(c) of the Instruments dated 11th May, 1988 and 15th February, 1990 of the 1993 Warrants and the 1994 Warrants, respectively (the "Instruments") and in accordance with Condition 11 of the Terms and Conditions of the Warrants of the 1993 Warrants and the 1994 Warrants, respectively, notice is hereby given that:

Due to issuance by Good Steel, Ltd. (the "Company") on 18th February, 1993 of U.S. \$ 100,000,000 2% per cent. Notes 1997 with Warrants (the "1997 Warrants") to subscribe for shares of common stock of the Company (the "Shares") and of U.S. \$100,000,000 Convertible Bonds due 2002 (the "Convertible Bonds") convertible into Shares at a consideration per share receivable by the Company (if 95%) which is less than the current market price per Share (of £0.1840) on the date in Japan of the issuance of the 1997 Warrants, and the Convertible Bonds the Subscription prices of the 1993 Warrants and the 1994 Warrants is affected as adjusted in accordance with Clause 5 (vii) of the Instruments as follows:

(1) The 1993 Warrants
Subscription Price before adjustment: Yen 695.30
Subscription Price after adjustment: Yen 691.50

(2) The 1994 Warrants
Subscription Price before adjustment: Yen 1,409.05
Subscription Price after adjustment: Yen 1,395.30

Effective date of the Adjustments: 19th February, 1993 (Japan time)

GOOD STEEL, LTD.

By Dai-Ichi Kangyo Bank,
(Luxembourg) S.A. as the
Principal Paying Agent

FERROVIE DELLO STATO
JOINT STOCK COMPANY FOR TRANSPORTATION AND SERVICES
ROMEContractors' qualification
- Preliminary notice -

Following the application from January 1st, 1993, of EC Directive 90/531 also to the so-called "excluded sectors", Ferrovie dello Stato S.p.A. intends to publish by June 30, 1993 qualification notices for suppliers of products and works.

Qualification notices will be published in the Official Gazette of European Communities, and will request information regarding the following points:

- company structure;
- economic and financial soundness;
- technical capabilities;
- productive potentiality;
- company organization for quality securing or guarantee.

The requested data must concern, as regards economic and financial information, the last five years of activity. For these aspects Ferrovie dello Stato S.p.A. may entrust the examination to an auditing firm.

The main objects of the qualification system will be the following:

- civil engineering works and electro-mechanical installations;
- rollingstock;
- technological installations specifically designed for railways;
- superstructure;
- miscellaneous supplies.

In conformity with the above-mentioned EC directive, qualification will be evaluated according to the standards reported in the tenders.

Qualification will be subject to compliance with deliberation FS/AS n. 1232 of June 30, 1992 regarding auditing and transparency of prices in contracting relationships with Ferrovie dello Stato.

In particular, according to such deliberation contractors are required to:

- declare that no intermediation or other participation of third parties has taken place in the conclusion of the contracts;
- declare that no amounts of money and/or other compensation has been paid or promised to anyone, whether directly or through associated or controlled firms, in payment of intermediation services or other services aimed at facilitating the conclusion of the contracts;
- declare that they will not pay to anyone, for any reason, amounts directed at facilitating and/or making less onerous the execution and/or management of contracts with respect to the obligations undertaken therewith.

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RECRUITMENT

JOBS: Denmark's premier is not the only Scandinavian to take Machiavellian manoeuvres seriously

YOU wouldn't expect a managerial revolution to start in Scandinavia, but this could be it," the Jobs column remarked to its partner Bill Hall. He just went on tapping his keyboard and peering at his screen. But I wasn't to be deterred.

"You've surely seen the story about Denmark's new premier trashing his cabinet by making them read Yes, Minister scripts?" I persisted...and seemingly got through. "Printed it two weeks back," said Bill, best known for his Observer column on the FT's centre pages, then he added with scarcely a pause:

"What I want to know is why your announcement says your chief executive left amicably when the buzz is he's taken the cash reserves with him, not to mention the chairman's wife" - or some such words, which took me aback until I saw what had happened. In the brief interval, he had put on his telephone headset and begun talking over his tapping to someone else afar off.

His feat at first reminded me of the northern machinist's retort when work-study experts ordered him to operate with both hands at once: "Aye, and if you stick yon broom-handle up my backside, I'll sweep t'floor as well."

My second thought was to give up the struggle of internal communications and beg the ears of you readers instead. After all, it's external communications that are the nub of the managerial revolution which Scandinavian developments might spark.

While it is admittedly hard to credit that a Dane would take lessons from a Swede, such would appear to have occurred. For the Danish Social Democrat premier Poul Nyrup Rasmussen is not the first Nordic eminence to twig that the Yes, Minister television series - whose manipulations of elected leaders by cunning bureaucrats are usually just laughed at as satirical comedy - is underpinned by something serious indeed.

The same fact was seen beforehand by Sweden's Nils Brunsson, professor of management at the Stockholm School of Economics. What awakened him to the point, though, was not just watching the telly, but the findings of rigorous research.

Accordingly, while he would agree that top bosses can learn

much from Yes, Minister scripts, he'd go farther. In his view, the dangers of being manipulated from below are such that it takes exceptional humility as well as intelligence on the bosses' part to pick out the right lessons, even though they are noted in his book *The Organisation of Hypocrisy*, discussed in this corner of the FT in September 1991.

For the benefit of readers not around then, however, I'd better repeat that he thinks the said dangers are rooted in the growing need for the heads of companies, let alone countries, to pay heed to external communications. And oddly enough, an illustration arose the other day when partner Hall kindly invited me to a post-toll hobnob with colleagues who cover stock market events.

During the chat, up came the Queens Moat company which, several of us agreed, is certainly no less good than the rival group Forte when it comes to managing hotels. So why, someone asked, have Queens Moat's shares fallen

*John Wiley, £17.95

to stand up on the market as well as those of its bigger competitor. One reason put forward was that, in contrast to Queens Moat, Forte puts much high-level energy into its relations with investment interests, not least in gently preparing them for glitches.

Even so, keeping the share market sweet is merely a small part of the multiplying demand on companies of appreciable size to woo the approval of influential outsiders. Others include a welter of variegated pressure groups together with local, national and yes, supranational bureaucracies such as the European Community.

Hence, Professor Brunsson says, jolly along influence-wielders is increasingly becoming a full-time job which, of its nature, must largely be done by high-ranked people. Moreover, besides being potentially at least as decisive, the work involved in external communications differs from that of internally managing an organisation.

Dealing successfully with the outside bodies mainly falls into the realm of politics, which

means that upper-rank jobs call more and more for political skills in handling the mechanics of human interests, ambitions and alliances, and the multitudinous compensations of same. Although political skills are also useful in managing internally, it takes a markedly different ability to handle the mechanics of making, marketing and delivering goods and services which people will think it worthwhile to buy.

The result is a division of skills between the externally focused top tiers of management and the internally-focused ranks lower down. Truly, by comparison with heads of government, chiefs of companies are usually more closely acquainted with what they're supposed to run. But thanks to fast changing technologies and markets, they are hard-pressed to keep up with developments in the methods by which their outfit's living is earned.

Nils Brunsson therefore argues that the division of skills is likely to widen, with the chiefs of large organisations ever less capable of knowing what can, let

alone what should be done below. The dilemma is that the selfsame chiefs are viewed as responsible for said doings by the equally decisive external interests. So what, if anything, can be done about it?

Where answers are concerned, the Jobs column's stipulation is that the Swedish professor will part company with the Danish premier. For it looks as though Mr Rasmussen's aim in making his colleagues study Yes, Minister scripts is that they'll thereby become knowledgeable enough about Machiavellian mandarin tactics to outsmart them at their own games, so ensuring they do the government's bidding.

Alas it is an aim which, in Nils Brunsson's view, is doomed to fail. In any complex organisation, he says, it's as good as impossible for people whose jobs depend on fostering external relations to gain sufficient knowledge of internal realities simply to impose their will on the more technically expert staff below. So chiefs of that sort do better to accept their limitations...which

is where the need for humility as well as intelligence comes in.

Certainly such chiefs must take decisions - that's what the outside stakeholders see as their job. But chiefs should recognise that what they decide will not necessarily or even usually be put into effect, and still more so that attempts to force strict obedience are apt to spawn damaging resistance.

After all, their best ally in their external dealings is a set of technically expert supporters concentrating on keeping the organisation doing what it's best at. So the chiefs should ensure the decisions they take are supportive of that same end. One example Professor Brunsson cites is decisions to do something already being done.

Most importantly, externally focused chiefs should never become involved in the detailed implementation of what they decide, and still less show their approval or the opposite by rewarding or punishing those held responsible. The reason is that if they do, their most expert underlings will stop concentrating on productive work and start playing internal politics.

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If you are interested in finding out more about these positions, please contact Jane Moore on 071-287 2525 (071-436 1263 evenings and weekends). Alternatively, please write in complete confidence, enclosing your cv to: ARC International plc, Recruitment & Consultancy Services, 15 - 16 New Burlington Street, London W1X 1FF.

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for small (4 branches) but expanding retail bank in the Turkish Republic of Northern Cyprus. Candidate should have good background and experience in all aspects of banking and in particular computer applications. Salary & benefits by negotiation.

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years' relevant experience probably gained within the bond trading, corporate finance or research department of a large securities house. A degree in Mathematics or Mathematics based subject, together with strong interpersonal and communication skills are prerequisites. Flexibility and a willingness to work hard under pressure are also essential.

Candidates who feel they have the right background and would like to find out more about this interesting opportunity should send a detailed curriculum vitae to Jonathan Cohen at the address below.

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A qualified accountant, and possibly holding an MBA, you should have at least 5 years' post-qualification experience and proven ability to run a finance and computing facility. You will also need good company secretarial experience, excellent interpersonal skills, and the desire to get involved in the business at a very practical level. If you have a background in manufacturing and some international experience, so much the better.

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Volvo Car UK Limited offer an excellent salary, based on performance and contribution, together with non-contributory pension scheme, 28 days holiday, company and lease car scheme and private medical insurance. Relocation assistance is available where appropriate.

Please write in confidence, with full career details and current salary, to our advising consultant, Diana Gubberley, quoting the relevant reference number, at Regent Consulting, Prince Regent House, St Giles Close, Reading RG1 2SA. Tel: (0734) 580632. Fax: (0734) 580434.

VOLVO

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Applicants may have either of the following qualifications and experience: (a) qualified accountant with 1 to 2 years senior level accounting experience; or (b) a degree in accounting with 8 to 10 years senior level accounting experience preferably in an oil field related environment.

Additionally, applicants must be computer literate, specifically Quattro Pro or equivalent spreadsheet programs, and demonstrate commercial awareness, decision making and analytical skills, dedication to achieve strict reporting deadlines and a flexible work attitude.

Please apply in writing with full C.V. to K.E. Blythton, ML&B, 4 Carlton Gardens, Pall Mall, London SW1Y 5AA

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A Graduate with extensive Project Finance experience sought by the International Bank. The role will incorporate marketing and relationship development, risk analysis, negotiation, structuring and monitoring of transactions and research into the European market place. Candidates will ideally possess an engineering background or qualification, as well as exposure to the engineering industry.

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Degree educated Systems Audit Officer sought who possesses, or has made significant progress towards, the CIMA qualification. As the sole Systems Auditor, the applicant will be expected to plan and perform audits, raise audit issues with Management and coordinate audit project work as required. Other activities are likely to include system development reviews and product audits.

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FOREX

A top US investment bank is looking for a young individual to develop its foreign exchange business in conjunction with a strong institutional client base.

A thorough knowledge of the FX market and a minimum of 2 years' trading experience are essential. The ideal candidate, who is likely to be a graduate, must be a good communicator and capable of working well under pressure.

Applications should be sent to:

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The most important characteristics of potential candidates are a very high level of intelligence, the ability to work successfully in a team environment, a passion for problem solving, an enthusiasm for learning and a high level of computer literacy.

Experience in the field of finance is not essential, candidates may be drawn from industrial or academic backgrounds. Excellent graduate or postgraduate qualifications in highly numerate disciplines are important but candidates who possess the above characteristics without appropriate qualifications should pay attention to demonstrating their suitability in other ways.

We offer an attractive range of salaries in addition to a benefits package which includes BUPA, pension and bonus scheme. Candidates at all levels of age and experience and from all related disciplines will be considered. Adam Harding & Lueck, is part of the E.D. & F.Man Group.

Please write, including your CV, explaining how your experience is relevant to AHL's activities to Maxine Doonan, Adam Harding & Lueck, Sugar Quay, Lower Thames Street, London, EC3R 6DU. Please quote Ref 293/FT.



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Reporting directly to our Managing Director, the Risk Manager is responsible for the Bank's risk monitoring and assessment processes. This will involve the close observation of daily trading activities and therefore a thorough understanding of complex structured derivatives and their inherent risks is essential.

It is expected that candidates will also meet most of the following requirements:

- a thorough understanding of and exposure to structured derivative and synthetic debt instruments - perhaps gained by virtue of 3-5 years of quality Capital Markets experience as a Dealer or Risk Manager
- good analytical skills - a high level of numeracy, including proficiency in financial and statistical modelling
- an understanding of modern portfolio theory and conventional volatility models
- a knowledge of accounting concepts and financial reporting systems
- experience in P.C. based systems, probably with some degree of programming skills.
- an awareness of the regulatory environment.

In addition, the successful candidate will probably possess an industry or professional qualification and will be a motivated self starter. Although the industry remains flexible, it is likely that an individual meeting our specification will be aged between 29 and 45.

Please apply in writing, enclosing a full C.V. to:

Helen L. Challis,

Personnel Officer,

Daiwa Europe Bank plc,

City Tower,

40 Basinghall Street

LONDON EC2V 5DE



DAIWA

Quoting reference HLC/CEX1 (No agencies, please)
Closing date for applications is Friday 5th March 1993.

Time for auditors to come out of their shells

Michael Fowle clarifies the profession's role in business and its future direction and development

IT IS time that auditors "come out". We should demonstrate that our profession is a fundamental part of risk management in the economy, that we are proud of our contribution and want to do our job even better in the future than we have in the past.

I am an auditor and I am proud of it. My predecessors built my firm on a reputation for providing a service to those who used the accounts of their audit clients - and not by kowtowing to the wishes of company directors. That is the past of auditing and so must it be its future. I am passionate about auditing and its contribution to business society.

The UK Auditing Practices Board (APB) paper on the future development of auditing issued last November gives us plenty to think about. Its authors make clear that it is intended to promote public debate, and is certainly not a worked-through proposal, let alone a legal framework. But reflecting the diversity of public concern, its scope is so wide-ranging that it runs the risk of prompting a series of unending debates.

I want to return to basics. The public role of auditors is to audit accounts. They may - and indeed do - fulfil other functions which contribute materially to the benefit of the economy, but the essential issue is that of competence in their primary function.

An audit report is a matter of opinion - an opinion in support of facts, and on their presentation. Failures in audit evidence do occur, but they are surprisingly rare and we have to

remember that no process of inquiry can be absolutely conclusive.

Opinion on presentation is an opinion on the way in which the directors have set out the facts and arrived at judgments where these are required. Neither opinion is of any worth unless it is objectively arrived at. The APB paper notes that the small number of audit reports which are qualified is seen by some as indicating a lack of objectivity. But this confuses a qualified audit report with an auditor's badge of virility. Auditors do their duty to the stakeholders by assisting, advising - and, on occasions, persuading - their clients' directors to publish accounts which, in the auditors' opinion, show a true and fair view.

A qualified audit report is not only an expression of the auditors' opinion that the directors have failed to comply with the law. It is also an admission by the auditors that they have failed effectively to influence the directors. Qualified audit reports are indeed rare, but this is a sign of success, not failure.

On every single public interest audit engagement, auditors in my firm work for at least four separate client constituencies, whose interests may well conflict. There are shareholders, other stakeholders and regulators who may represent their interests; the board; and executive management. If auditors cannot build a working relationship with the executive directors and management of their client company, they can never undertake a truly efficient and effective audit.

There is no point in being frightened of conflicts of interest. The world is built on them. My favourite working definition of a professional is somebody who can identify conflicts and make judgments amongst them. Good auditors understand that not only can they serve all four client constituencies, but that they must serve all four. If the audit fails to do so, it fails as an audit.

That is why the Cadbury Report on

There is no point in being frightened of conflicts of interest. The world is built on them

corporate governance is entirely right to concentrate not on auditor independence but on achieving auditor objectivity. Good auditors have always known that because they serve four constituencies, their first duty is not to the directors of their client company but to the company itself. It is the company and only the company which can be the proxy for the stakeholders - in particular the shareholders, who are the prime stakeholders.

On this issue auditors are in the same position as the directors. But this legal relationship in no way detracts from the essential fact that both directors and auditors owe their duty to the shareholders and stakeholders. Auditors know this very well.

Auditors also know the importance of understanding the framework within which they operate. Their critics sometimes find this less essential.

One example is accounting standards, which are not the province of the Auditing Practices Board but of the Accounting Standards Board. The roles of these related but necessarily distinct bodies are often confused in the public mind.

Another instance is the failure to grasp that it is management that manages companies, and directors who set and monitor a direction. It is directors - not auditors - who are responsible for reporting to shareholders on the company's business, its financial results and future prospects.

The heart of the question is not the narrow one of professional liability nor the details of what an audit report is meant to say. It is the fundamental issue of the function of auditors and where they stand in relation to management. We do not wish to take cover behind a defensive barricade. We welcome the opportunity to contribute more effectively to the economic process, and in so doing to respond to the needs of the market.

But the APB suggests that the purpose of an audit should be re-defined beyond the auditors' current role to encompass reporting both on the proper conduct of the company's affairs and/or future risks attaching to the company. Surely these suggestions address not the role and scope of audit, but the role and scope of annual reports by directors to shareholders?

It is for the directors to report to the shareholders and other stakeholders and only then for the auditor to express an opinion on this report. If you move to a position where report-

ing is in the first place the duty of auditors not directors, this denies the auditors' essential role as objective commentators and effectively makes them another tier of management.

There are strong arguments for suggesting that directors should be given an enhanced responsibility to stakeholders other than shareholders. There are strong arguments that directors should report each year to shareholders on the way the company's affairs have been conducted and on how they have satisfied themselves on the propriety and perhaps the efficiency of that conduct.

There are also strong arguments for suggesting that the directors should report to shareholders about the risks inherent in the group's business and the way in which they ensure that those risks are appreciated and appropriately limited. This last proposal is covered in the Operating and Financial Review proposal from the Accounting Standards Board circulated last April.

Auditors are neither guarantors, nor guardian angels, nor soothsayers. But if the reporting standards for directors encompass the issues of proper conduct and future risks, and if the benchmarks are there, we auditors will be able to obtain information, verify it, make judgments and arrive at opinions on those matters of conduct and risk on which an objective opinion is both practicable and relevant. It is then for the business world to judge whether the cost will match the benefit.

Michael Fowle is senior UK audit partner at KPMG Peat Marwick.

Financial Controller Watford £35,000 + Car

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Reporting to the chief executive officer, you will be a key member of a small and dedicated management team. You will be responsible for the accounting team and the operation and development of the management control and reporting systems, particularly ensuring they meet the needs of a rapidly expanding business.

A qualified accountant, you should have at least 5 years' industrial experience and be able to demonstrate a track record of successfully managing computerised information systems, preferably within a product distribution environment.

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- ◆ Confident self-starter who can blend outstanding attention to detail with the strategic vision needed at board level.

Please reply in writing, enclosing full cv, Reference BM0440
NBS, Berwick House, 35 Livery Street,
Birmingham, B3 2PB

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THE POSITION

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- ◆ Lead head office accounts team. Close liaison with regional offices.

- ◆ Key role in upgrading quality of management reporting and profitability analysis. Provide competitive advantage through systems development.

QUALIFICATIONS

- ◆ Ambitious qualified graduate accountant age 28-35.
- ◆ Strong management experience from a multi-site service business.
- ◆ Confident and commercial. An active team leader and motivator.

Please reply in writing, enclosing full cv, Reference BM0622FT
54 Jermyn Street, London SW1Y 6LX

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Further your career in derivative products

Major International Bank

Opportunities in financial analysis and risk management

Our client is a leader in corporate and investment banking with extensive operations worldwide. Its continued expansion in the global derivatives arena has created the need to recruit additional analysts to join the product accounting and risk management team.

The immediate need is in the equity derivatives support function where accountants/analysts with experience of equity options (especially OTC), warrants and futures are sought. Working closely with the front office you will provide high quality information to the traders from a valuation, analysis and risk management perspective. You will be involved in the analysis of complex structured products, their associated risks and funding implications. These business facing roles will bring real opportunity to contribute to the bank's profitability and competitive edge.

Interested candidates should write to Janet Bullock at BBM Associates Ltd (Consultants in Recruitment) enclosing a full Curriculum Vitae which should include contact telephone numbers. All applications will be handled in the strictest confidence.

76, Watling Street, London EC4M 9BJ

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FINANCIAL CONTROLLER

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110,000 DM
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Bei unserem Kunden handelt es sich um einen gut eingeführten internationalen Konzern, der auf dem Gebiet der Herstellung und des Vertriebs von Maschinenbauprodukten für den Weltmarkt tätig ist. Nuncmehr ist die Position eines Financial Controllers für den in Deutschland befindlichen Fertigungsbereich mit einem Umsatz von über 250 Millionen zu besetzen. Der Financial Controller wird verantwortlich für:

- die Erstellung und Interpretation des entscheidungsorientierten Rechnungswesens und der monatlichen Endabrechnungen einschließlich GuV-Rechnung und Bilanz,
- die Entwicklung effektiver Fertigungs-Informationssysteme für das Management einschließlich Kostenkontrolle, Varianzanalysen und Lagerberichtswesen,
- Beiträge zur ständigen strategischen Fortentwicklung des Unternehmensbereiches.

Der erfolgreiche Kandidat ist ein vollqualifizierter Fachmann des Rechnungswesens/ACMA, der eine mindestens dreijährige entsprechende Erfahrung auf diesem Gebiet besitzt. Sie sind mit dem Fertigungsbereich umfassend vertraut, besitzen Computerkenntnisse und sind in der Lage, die Fähigkeit zum Entwurf und zur Entwicklung von computergestützten Management-Informationssystemen nachzuweisen. Sie können sich in Wort und Schrift fließend in der deutschen Sprache ausdrücken.

Geboten werden ein großzügiges Vergütungspaket einschließlich Gehalt, Wagen, gewinnorientierten Prämien, Sozialleistungen und großzügigen Umzugskostenpaket.

Interessierten reichen Ihre Bewerbung mit einem vollständigen Lebenslauf zunächst schriftlich und in englischer Sprache an David Loos ein.

Cost Accountant

We are one of the leading companies in the licensed sportswear industry in the UK and are expanding into Europe. Our turnover this year will be in excess of £10m.

We have recently been bought out by a Public American Corporation which is in the same industry in the USA. For this reason we need to make a new appointment.

You will be taking over the complete control of our small accounts department (3 staff) as well as the total responsibility for all budgeting, standard costing and USA reporting functions of the company. We are a go ahead company and need someone not afraid of hard work and a real challenge.

The suitable applicant will have the following attributes:

- Qualified accountant
- 8+ years industrial experience
- Experience in manufacturing industry using standard costing accounts
- Experience in the garment industry
- Good knowledge of PC's using Tetra accountancy software
- Good spreadsheet knowledge
- Good communication/management skills
- Live locally

Please reply with full details of your experience in the above areas together with a full CV to Sarah Dunster at:

Kick Sportswear, Unit 2 St Georges Ind Est,
Kingston Upon Thames KT2 5BQ

Kingston, Surrey

DEPARTMENT OF FINANCE

ASSISTANT DIRECTOR (INVESTMENT AND TREASURY MANAGEMENT)

SALARY SCALE TO A MAXIMUM OF £46,869
PER ANNUM PLUS BENEFITS

This challenging post is responsible for advising on the strategy and management of the superannuation and other trust funds of the Council, valued at over £700 million. The postholder will be responsible for the supervision of all aspects of fund administration and transaction settlement, for all money and capital market transactions in connection with the funding requirements of the authority and for the supervision of the management of a consolidated loans fund of over £600 million.

The Section comprises 13 staff and utilises advanced IT facilities for administration, accounting, and investment appraisal.

The postholder will report to the Deputy Director (Payments and Administration) and directly to the Director on certain investment functions.

Applicants should be educated to degree level, hold a relevant professional qualification and have considerable experience of investment and treasury management. Experience at a senior level in a large organisation dealing with management or policy issues would be an advantage.

The Department of Finance is located in the centre of Edinburgh.

Removal and Disturbance allowances to a maximum of £5,225 are payable in approved cases for specified costs incurred. The Council will either pay a contribution towards a leased car or pay a car users allowance.

Application forms are available from the Director of Finance, Lothian Regional Council, George IV Bridge, Edinburgh, EH1 1UQ. Tel. No. 031 469 3006. Prospective applicants may also subsequently discuss their interest in the post with the Director by telephone.

Closing date - 8th March 1993



LOTHIAN
REGIONAL COUNCIL

WORKING TOWARDS EQUAL OPPORTUNITIES

Senior Management Accountant Major City Institution c £40,000 plus benefits

One of the UK's largest Financial Institutions is seeking to recruit the Senior Management Accountant for a substantial division whose contribution is becoming increasingly important.

You will be a qualified accountant (ACMA, ACCA or ACA), probably in your early 30's, preferably with recent experience of applying creative and innovative management accounting techniques in a financial services environment, for example a Building Society, Insurance Company, Bank etc.

A substantial proportion of your time will be spent selling your services to all parts of the customer base.

You must therefore be a confident communicator, who is completely comfortable dealing with Senior Management.

This is a stimulating challenge in a major group, going through considerable change demanded both by its Main Board and the market place. A fully comprehensive package will be offered. Our client is an Equal Opportunities Employer.

Please reply in strictest confidence to Peter Wilson FCA, MAL Executive Search, Finland House, 56 Haymarket, London SW1Y 4RN.

Tel: 071-930 6314. Fax: 071-930 9539.

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FINANCIAL CONTROLLER

London c. £35,000 + Car + Profit Share

Manufacturing ingredients for the food, drink and pharmaceutical industries, this £100m turnover company is a subsidiary of a progressive European group with extensive production and technical resources. Established over 50 years ago, the business now operates from a modern plant, employing sophisticated computerised technology.

Reporting to the Finance Director and controlling 10 staff, the Financial Controller will be responsible for all aspects of financial and management accounting and will have extensive contact both with other departments and with subsidiary/associate companies.

The role calls for a qualified accountant who can combine attention to detail with the ability to stand back and see the global perspective. Applicants must be highly computer literate, being familiar with large systems and skilled on spreadsheets. Experience in a manufacturing company would be an advantage.

Please send a career résumé, including salary details and daytime telephone number, quoting reference 3294, to Graham Perkins, Touche Ross Executive Selection at the address below.

**Touche
Ross**

Executive Selection



MANAGEMENT CONSULTANTS

1st Floor, Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 071 936 3000.

European Finance Manager

Central London c. £35,000 + Bonus + Bens

Our client is one of the world's premier international consulting firms with a turnover in excess of \$500 million.

Specialises in a broad range of services for a variety of leading businesses, the firm employs over 4000 staff in operations worldwide.

Since 1989 the European operations have grown significantly outperforming the majority of their competitors. This has been achieved by adopting a pan-European focus whilst fully utilising their global practice capabilities. The European HQ is based in London, and provides support to each of the local European regions. An internal promotion has created a need to appoint an ambitious qualified accountant with strong communication and technical skills. Reporting to the European Finance Director, the successful candidate will head a small team with full responsibility for European financial reporting, financial planning/forecasting and analysis, treasury management and occasional fiscal matters.

In addition the role will involve extensive inter-company liaison and ad hoc reporting.

Prospective candidates must be graduate qualified accountants (ACA/ACCA/CIMA), aged between 28 and 33, with a successful track record ideally gained within a multi-currency environment. Individuals with experience in a service based industry will be of particular interest. Applicants should be able to offer both a 'hands-on' approach and possess the intellectual ability to gain the respect of senior management.

Equally important are the personal qualities which must include a high level of energy and self-motivation coupled with an organised yet flexible approach.

Whilst a second European language will prove useful, it is not essential.

Interested candidates should send a full curriculum vitae to Paul Marden at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

MPF

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

INTERNATIONAL TREASURER

Central London c. £80,000 Package

Saatchi & Saatchi is one of the world's largest advertising and marketing communications groups, operating in 34 countries through over 150 subsidiaries. We are appointing an International Treasurer, reporting to the Group Treasurer, to join a dedicated and highly professional team that has played a key role in the restoration to health of this major international group. You will be responsible for all International Treasury matters (ex North America) and all foreign exchange and interest rate exposure management systems for the group.

Your immediate tasks will be

- to review the international cash management systems and install state of the art systems so as to minimise capital employed.
- to analyse and upgrade the FX and interest rate exposure management systems of the group.

You should have at least 5 years Treasury experience in a sophisticated multinational Treasury department, with particular expertise in international cash management systems and exposure management systems, and will be a graduate MCT or MCT (Dip). You should be a practical hands-on individual who is prepared to carry through your own ideas, with the skills and confidence to reshape your own area of responsibility.

Please reply in writing, enclosing a full C.V. to Gail Rosen at 83/89 Whitfield Street, London W1A 4XA

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on
071-873 3607

Mark Hall-Smith
on
071-873 3351

JoAnn Gredell
New York
212 752 4500

Finance & Planning Director

c £55,000 Oxford
+ Performance Bonus + Car

This client, a subsidiary of a large UK plc, is an expanding worldwide business whose high-technology leadership makes it the acknowledged world leader in its market.

To support the drive for growth the current team is to be strengthened by the appointment of a Finance and Planning Director. The position requires an all-round ability to play an active part in the strategic management of the business whilst retaining control over the finance function, which is decentralised to the local operating units. A self-starter, good at achieving results and able to set his/her own agenda is required to fit in with the participatory and open management style.

Applicants should be graduate qualified accountants able to operate effectively at the top level in an international team with an unusual blend of scientists, business managers and entrepreneurs. Experience in central finance as well as operating levels in a significant international consumer-orientated business is essential. There will be up to 25% international travel. Age guideline 32-38.

Please apply in confidence quoting Ref L529 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

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Selection & Search

In pursuit of excellence with a market leader

ACA/ACMA/ACCA - exceptional packages - 24 - 28 years

A portfolio of innovative products and services, matched by a presence in all the major financial centres, serves to maintain J.P. Morgan's reputation as one of the world's premier banking and securities firms.

To ensure we retain this position we recruit only the best, which holds true for the exceptional accountants we are now seeking to further strengthen our Financial Division. Continued business expansion means a number of new positions have arisen in the following areas:

Financial Control Global Markets

The group acts as the prime Financial Division contact for business managers in the areas of treasury, capital markets and derivative products. The roles involve daily determination and analysis of risk positions and underlying profit.

Financial Accounting and Reporting

The group provides the overall co-ordination of the reporting on J.P. Morgan's London business. Responsibilities include helping to manage the risk-based capital in order to allocate equity most efficiently.

Global Technology and Operations

The group works closely with senior business support managers to achieve efficient resource management. The

major thrust of this role will be to provide cost/benefit analyses, unit costing, planning and reporting.

Systems Liaison

The group offers the challenge of project orientated roles within one of the most advanced Information Technology environments in banking. Team members will help define requirements, plan and perform testing on behalf of Financial Division.

Applicants should be recently qualified graduate accountants, with first time passes at the professional exams. Strong interpersonal skills combined with creativity and the ability to grasp concepts quickly, are also essential.

As J.P. Morgan is a meritocracy where progress is dictated solely by your abilities, achievements and personal ambitions, exceptional career opportunities will exist throughout the bank. Previous financial services experience is not essential.

In addition to excellent basic salaries, benefits will include a car allowance, mortgage subsidy and profit sharing bonus scheme.

For further information in strict confidence, please contact our advising consultants Brian Hamill or David Craig at Walker Hamill on 071-287 6285. Alternatively forward a brief résumé to 29-30 Kingly Street, London W1R 5LB, quoting reference BH858.

JPMorgan

APPOINTMENTS WANTED

40 YEAR OLD
CHARTERED ACCOUNTANT

with MD experience and sense of humour seeks position with small go-ahead team for full involvement.

Please contact Box A725, Financial Times,
One Southwark Bridge, London SE1 9HL

Financial Controller £30K Swindon

Experience of Public/Private sector finance policy and accounting is desirable.

Telephone: 0793 413373

for further details.

Closing date: 5 March 1993.



Agricultural & Food Research Council

To £120,000 package
+ benefits + options

Premier UK
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Group Finance Director

Well managed and resourced £100m+ turnover manufacturer seeks top class finance professional. World leading products, sophisticated production technology, high quality customer base with dominant market position in the UK. Overseas subsidiaries and plans for an aggressive acquisition programme. Strong finance function with high quality professional team.

THE ROLE

■ Responsible to the Chief Executive for the full spectrum of financial management and achievement of corporate objectives. Key role in strategic management with emphasis on financial direction.

■ Monitoring, influencing and stimulating improved performance of the underlying businesses.

■ Leading and motivating finance staff at all levels to optimise performance. Establishing effective relationships with senior operating managers.

THE QUALIFICATIONS

■ Qualified accountant, 35+ with distinguished record of financial management in a blue chip manufacturing environment. Now in a senior position as Finance Director of a small plc or major division operating internationally.

■ First-class technical skills in financial and management accounting and systems. Tax, treasury and acquisition experience an advantage. Well-developed, disciplined analytic and planning abilities.

■ Bright and ambitious with strong managerial, interpersonal and communication skills. Proven ability to learn fast and adapt quickly, rising to new challenges.

London 071 493 1238
Manchester 061 499 1700

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A Spencer Stuart Company

Please reply, enclosing full details, to
Selector Europe, Ref. S98728234,
16 Connaught Place,
London W2 2ED

c. £90,000 package
+ share options

Multi-national
Service Company

South East

European Finance Director

Expanding and profitable £200 million turnover company, part of a Times 100 UK plc, is a world leader in its chosen markets with a unique service offering to commerce and industry. A commercially orientated finance professional is now sought to join the small UK based European management team, planning and implementing the growth strategy for the 90's. Exceptional opportunity to be in at the ground level of a new pan-European service offering, with excellent growth potential.

THE ROLE

■ Reporting to the European Chief Executive with full responsibility for the finance function, advising the Board on a wide range of commercial issues.

■ Working closely with operating management in business planning and reviews to optimise performance, whilst providing effective financial control and reporting systems, including tax and treasury.

■ Key member of the strategic management team, providing finance input to strategic planning, acquisition and joint venture evaluation.

THE QUALIFICATIONS

■ Graduate, ACA/ACMA, 30 plus with strong European experience and languages. Probably financial controller/director of a significant international business.

■ Highly commercial and market focused orientation. Experience of advising operational entities on broad business matters during a time of growth. Previous exposure to corporate finance issues beneficial.

■ Persuasive communicator with toughness and maturity. A team player, highly numerate with an agile and flexible mind. Free to travel extensively.

London 071 975 8484
Manchester 061 457 0375

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Please reply, enclosing full details, to
Selector Europe, Ref. S-98660231,
16 Connaught Place,
London W2 2ED

Financial Controller

Berkshire

Our client is the successful UK subsidiary of a US corporation. The corporation is a leader in the field of computer aided software engineering (CASE) and has been manufacturing and marketing software automation tools to increase the productivity and quality of the software development process since 1982. They have an installed base of more than 20,000 systems worldwide in blue chip companies within industries such as computers, telecommunications, military, aerospace, transportation and banking. Within the UK, the business has expanded rapidly from a start-up in 1991 and is already expected to exceed growth targets for 1993.

This position as Financial Controller is key to the continuing success of the business in the UK and only candidates of the highest calibre will be considered. Reporting directly to the UK Managing Director and functionally to the US International Finance Director, responsibilities will include:

- Provision of first class day-to-day commercial and financial control.
- Proactive management of the financial reporting process with an emphasis on commercial and timely historical and forecast information. This includes UK & US statutory requirements.

to £35,000 + Car + Benefits

- MIS development and enhancement of a fully integrated financial system.
- Interacting with both local and overseas colleagues in a mature and effective manner and in doing so, building rapport and respect.

Knowledge of US accounting standards and reporting requirements, together with transfer pricing methods is essential. An understanding of the accounting concepts for software revenue recognition would be advantageous.

Suitable candidates will be UK qualified accountants and are unlikely to be aged less than 35. They will have a track record in US hi-tech industries and demonstrate common sense, commercial awareness and the ability to manage people effectively.

For the successful candidate, medium to long term prospects in this dynamic environment are likely to be excellent.

Interested candidates should send their curriculum vitae to Anne Wilde ACA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Credit Manager

London

£30-35,000 + Car Allowance

Operating within Europe, our client has established itself as the market leader within its sector through rapid growth and an emphasis on high levels of customer service and support.

A high calibre and commercially aware Credit Manager is now sought to strengthen the credit management team. Reporting to the Commercial Director, you will play a critical role in the continuing development of the credit function within this fast moving, high volume business.

The scope of your responsibilities will be to manage the development and implementation of systematic procedures and policies to improve the risk management and cash

collection activities within the UK and Europe.

The successful individual will be an energetic and highly motivated Credit Manager with extensive experience of working in a fast moving, high transaction volume business, preferably within a European or International work environment. Proven management and communication skills are essential to succeed in this high profile role. Language skills would be a real asset along with experience of using PC based software packages.

Interested candidates should write enclosing a curriculum vitae to Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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Financial Accounting Manager

Central London

c£40,000 + car + benefits

Enterprise Oil is one of the world's leading independent oil and gas exploration and production companies. Listed in the UK and US, it has market capitalisation of approximately £2 billion. The company has a strong commitment to quality, growth and development.

An enthusiastic and flexible Big 6-trained ACA is sought for this newly-created role in the group's head office. This senior position requires an individual with a strong exam and academic record and a minimum of four years' PQE. The successful candidate, who may presently be employed in the profession or in commerce, will report to the Financial Controller and will take responsibility for UK statutory reporting, group consolidation, general and subsidiary ledgers and accounting for treasury activities. A key challenge will be the continued improvement of financial controls and the quality of accounting data.

The appointee will be a participative, hands-on individual, who must possess excellent communication and interpersonal skills and will be called upon to present and explain complex technical issues to senior management and Directors. He/she will be required to manage and motivate a team of 12 staff. Familiarity with US GAAP and prior exposure to oil and gas accounting would be advantageous.

Interested candidates should send their CV in confidence, quoting reference E0957, present remuneration details, work and home telephone numbers, to James Fore at the address below.

KPMG

Enterprise Oil

KPMG Selection & Search
2-3 Dorset Rise,
Blackburn, Lancashire BB4 7AE

Financial Controller

North East

c£35,000, Car, Benefits, Relocation Assistance

We are an autonomous subsidiary of a major international group who are world leaders in their particular manufacturing sector. We intend to appoint an experienced financial controller with the technical and systems skills to control and direct the full unit finance function whilst assisting the General Manager in a wide range of commercial and strategic business issues.

THE ROLE

■ You will hold total site responsibility for all financial and management accounting reports and controls.

■ Working closely with the General Manager (and clearly seen as his principal support) you will be fully involved in the current "change management" process upon which we have embarked.

■ Your ability to comprehend and interpret management information will be such that you will be capable of providing meaningful commercial representation both within the unit and externally.

■ Your systems and IT skills will allow you to develop an information infrastructure which will extend the management understanding of the business.

THE QUALIFICATIONS

■ An experienced fully qualified accountant with a proven track record of achievement.

■ A background of financial and commercial decision making in a manufacturing environment.

■ The interpersonal and team building skills imperative for such a role.

■ The ability (and desire) to literally operate at all levels from the shop floor to the boardroom.

■ The vision to initiate "change" coupled with the ability to say "no" where such comment can be objectively justified.

Peter
Downes

To pursue your interest in this first class career opportunity your curriculum vitae should be forwarded with complete confidence to our advising consultants: Peter Downes Associates, Brookside Cottage, Red Lumb, Norden, Rochdale OL12 7TX (Telephone: 0706 32443) clearly marking your envelope Ref: DDN 19.

Peter Downes Associates

Wakefield College

c £42,000

Finance Director

With a budget of \$20 million, Wakefield College is one of the largest further education colleges in the country. Employing around 660 full-time and 600 part-time staff, this multi-site college has around 3,000 full-time and 17,000 part-time students involved in a full range of further education activities.

In reviewing the College's preparation for incorporation in April 1993, the recently appointed Chief Executive/Principal has identified the need to recruit a Finance Director who will assume full responsibility for all financial operations of the College. Reporting to the Chief Executive, your initial task will be to develop and implement planning and control systems to support the organisation in this new environment. As a member of a small executive team, you will also play a major role in formulating overall corporate strategy for the College.

A graduate qualified accountant, you will have a proven track record of managing and developing finance functions.

Including computerised management information systems, in a progressive industrial or commercial organisation. An enthusiastic individual, you will have a hands on approach, strong communication and persuasive skills together with the other personal qualities needed to make a positive impact on an organisation entering an exciting period of considerable and significant change.

Please send full personal and career details including current remuneration level and daytime telephone number, in strict confidence to Angela McDermott, Coopers & Lybrand Executive Resourcing Ltd, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference 281AM.

Coopers & Lybrand Executive Resourcing

Group Controller

Midlands

£50,000 - £60,000

A company employing over 4,000 personnel, has sales in excess of £500m with the bulk of its income derived overseas. Its US parent devotes considerable autonomy to the company, with the finance function required to meet a stringent reporting timetable.

The Finance Department employs 50 personnel providing strong central control, making use of extensive on-line systems to provide rapid data input.

The role: Reporting to the Finance Director responsible for all financial and management planning, reporting and control. Must make a strong contribution to the solution of tax and treasury problems, liaising closely with overseas subsidiaries, joint ventures and the corporate headquarters in the USA. Expected to lead the further development of systems, and raising standards through effective training.

Qualifications: 35-50 year old graduate chartered

accountant with relevant managerial experience in a substantial department employing US GAAP. Must be able to demonstrate ability to work quickly and accurately, meet demanding reporting schedules and think ahead to find solutions to anticipated problems. Must be a good communicator, intellectually strong and commercially aware.

Success in this appointment could lead to further career progress.



A division of Clee & Stokes

Please write enclosing full CV, quoting reference 2739 to: -
CSR Selection Consultants, 14 Bolton Street,
London W1Y 8JL. Tel: 071-408 0370.

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Clare Peasnell on 071 873 4027

£38,000 - £42,000
+ PRPLiverpool Housing
Action Trust

North West

Director of Finance and Administration

The Government has recently established a Housing Action Trust in Liverpool. The Liverpool Housing Action Trust has been set up to take over from the City Council the ownership of 67 high rise blocks and to improve and manage the properties. Working in close partnership with residents and other agencies, it will refurbish the properties to produce good quality and secure accommodation, enhance local training and employment opportunities, improve the environment and revitalise community spirit. Substantial assets and budgets, including income from rents and grant-in-aid, are involved, providing challenge and opportunity for a resourceful and enterprising finance professional.

THE ROLE

- Reporting to the Chief Executive and the Board, responsible for finance and administration teams, a capital programme of over £100m, and a revenue stream of over £5m per year.
- To establish and operate financial controls which achieve regularly, propriety and value for money while providing flexibility and innovation. Tax, insurance, IT, accommodation, cash management, capital reviews and staffing are all within the remit.
- To support the Chief Executive's role as Accounting Officer within procedures laid down by central government.
- To prepare and present the Corporate Plan and monitor progress against the Plan's targets.

London 071 973 8484
Manchester 061 437 0375**Selector Europe**
A Spencer Stuart Company**THE QUALIFICATIONS**

- An accountant, preferably professionally qualified, almost certainly with public sector experience and knowledge of Government financing. Proven in managing people and large capital programmes.
- Fully trained in all aspects of financial management, including appropriate IT systems. Experienced in managing change, with a record of leadership and innovation.
- Committed to Merseyside and its regeneration; willing to live in the Merseyside area. (Relocation expenses may be available).

The HAT aims to be an equal opportunities employer.

Please reply, enclosing full details, to:
Selector Europe, Ref. F147/92/234,
Adlington Court, Grosvenor Gardens Park,
Styl Road, Manchester M22 5LG**Banking and Risk Manager**

Yorkshire

c £30,000 Package + Benefits

Our client is one of the region's foremost public companies and is well established in the regional, national and international business community. Operating in diverse sectors, the Group is broadly based and is poised to continue its profitable growth of recent years. They now seek to appoint a Banking and Risk Manager to join their Treasury team based at the Group's Yorkshire headquarters. Key responsibilities will include:

- The identification and quantification of risk exposures.
- The development and implementation of hedging strategies to minimise the impact of adverse movements on the Group's P&L and Balance sheet.
- Day to day liquidity management for the Group.
- The development and implementation of investment strategies.
- The execution of financial market transactions.

- Development and maintenance of the Group's day to day banking arrangements.
 - Ad hoc studies within the Group where Treasury input is required.
- This is a key role within this high profile function. Candidates, ideally qualified accountants or corporate treasurers, with a minimum of three years relevant corporate treasury experience, should possess the technical and interpersonal skills required to make an impact in this dynamic organisation. Career prospects are excellent.

Interested applicants should contact:

Fred Howie ACMA at Michael Page Finance,
Leigh House, 28-32 St Paul's Street, Leeds
LS1 2PX. Tel: 0532 450212.
Please quote ref: 15571.**MP****Michael Page Finance**Specialist in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide**FINANCE DIRECTOR**

Aged under 40

East Midlands

around £50,000 plus car

This is an exceptional opportunity to make a significant contribution to a complex organisation undergoing a fundamental re-appraisal of its business. The company has a £35m turnover and is part of a £2.5bn British group which has extensive, service-based operations in the UK and abroad (mainly Europe and the USA). The company has refocused its marketing and operations towards the delivery of highest quality customer service, through its nationwide branch network serving industrial and commercial customers. A key ingredient of this process is the enhancement of the finance function to provide rapid, relevant and reliable management services, through an experienced department of 40 staff, with dedicated mainframe capability. The Finance Director will be an integral part of the management team responsible for the strategic development of the business and for

driving programmes aimed at increasing business productivity. As well as offering a rewarding set of challenges in itself this appointment will be a proving ground for progression within a Group that is committed to developing a high-profile commercially-oriented finance function at all levels. Applicants should be Chartered Accountants in their 30's, computer literate, with proven experience of developing and implementing high quality financial control systems and meeting tight reporting deadlines. Exposure to a marketing-led business culture is essential and experience in a multi-location organisation would be an advantage. Ref: 1737/FT. Send CV (with current salary and daytime telephone number) or write or 'phone for an application form to R A Phillips ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

Phillips & Carpenter

Selection Consultants

COMMERCIAL/FINANCIAL DIRECTOREngineering/
Manufacturing
SectorWest
London

Our client is a major diversified profitable leader in its market sector and is engaged in environmental products and services. Turnover £20m. Due to the impending retirement of the present incumbent, a new broadly experienced appointee is sought who will make the specified contribution to management strategy thinking and profitability.

Reporting to the Managing Director, responsibilities will include commercial and financial control for UK and continental operations and the relevant relationships with the USA parent. Tight cost controls in all aspects of contracts, the achievement of the appropriate business goals and the successful negotiation of profitable contracts are all vital components of the role.

Candidates must be qualified Accountants, ideally in the 35 to 50 age group, who have experience in a marketplace which requires long-term project planning and close monitoring of the profitability of each contract. Strong board level personal qualities are essential, as is the ability to lead a team of key managers.

The substantial basic salary and benefits are supplemented by a generous profit-related bonus.

Please apply to Peter Barnett, quoting ref. no. 9139, at Barnett Consulting Group Limited, Providence House, River Street, Windsor, Berkshire SL4 1QT.
Telephone: 0753 856723 Fax: 0753 866297.

FINANCIAL CONTROLLERLondon
c.£45,000 + benefits

This major force in the international oil and gas business has significantly increased its UK base through acquisition and investment, and is now set to strengthen further its position in the market. As a result of this expansion and development, many of the business functions have grown substantially, and this growth has created this opportunity. Reporting to the Finance Director, you will manage the accounting, credit, financial controls and statutory reporting functions of the company and its subsidiary operations through the direction and control of a large department.

Ideally in your mid-30s and educated to degree level, you must have a professional accounting qualification. Although possessing considerable accounting experience, perhaps gained in an oil or related process industry, of equal importance are flexibility of mind, a pragmatic and common-sense approach, and a willingness to respond to the needs of the business. You will also require experience of sophisticated computer systems, leadership abilities, and well-developed communication and interpersonal skills.

To apply, please send full details to Andrew Millard, Ref: 5780/AGM/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR. Tel: 071-730 9000.

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Reporting to the Managing Director, the Business Controller will be a member of a highly visible management team dedicated to continuous business improvement. Financial reporting, financial management, systems development and enhancement of job costing procedures form key elements of the role. Of primary importance, will be the guidance and support given to non-financial managers throughout the business.

Candidates will be qualified accountants with at least five years' post qualification commercial experience in a project driven environment. Strong systems knowledge, excellent communication skills and evidence of a broad commercial outlook will ensure success and long term career development.

Please reply in writing to:
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Our client is part of a dynamic international services and marketing group who have a strong presence within the Middle East. They require a qualified accountant, aged 35-45 with strong PC skills, to undertake a broad ranging financial control function. In addition to group reporting of management and statutory accounts, there is considerable budget responsibility and some treasury exposure. Total commitment, hard work and the ability to meet deadlines will be necessary attributes of the successful candidate. Applications should be forwarded to either:

Helan Hight - Senior Consultant
Jonathan Wren & Co. Limited,
Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP
Tel: 071-623 1266 Fax: 071-626 5259

Brian Jarvis - General Manager
Jonathan Wren International,
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A UK Division of a major US Corporation, serving the capital goods market on a worldwide basis, seeks an ambitious, hands-on Financial Controller to take responsibility for its finance and accounting function.

Based in South London, the role is broad requiring business acumen as well as accounting skills. Key responsibilities will include project cost and inventory control, systems development and strategic and financial planning.

Aged 30 to 45, candidates should be computer literate, qualified accountants with several years experience at a senior level in a manufacturing/project environment. Prospects for advancement are good.

In the first instance, applicants should send a full cv, including salary and benefit details, to the Group Finance Director at:

Chromalox Europe, Gerrard Place,
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Guttman declines to step down as Nymex head

Mr Guttman, who has maintained his innocence in the trading case, refused to relinquish the chair.

A board vote to suspend would have to be ratified by a vote of the entire membership. With many members sympathetic to Mr Guttman's plight, the board could face a member-

The CFTC civil complaint, which does not entail charges of fraud, says that Mr Harold Magid, Mr Guttman's former partner, executed the allegedly questionable trades for their joint account, but that Mr Guttman still maintained responsibility for the transactions.

He believes the paper market has big potential. Hemp fibre contains only a small amount of lignium, the yellowing agent which needs expensive and environmentally damaging bleaching treatment in wood pulp.

The buffer stock is owed \$137m in unpaid levies, with the Ivory Coast, the biggest producer, owing \$75m. The EC, which accounts for 40 per cent of cocoa consumption, is adamant that any new agreement should be financed by sales from the buffer stock and payment of existing levy arrears by some producers. However, producers feel that the finan-

Adding to the difficulties are the fact that the US, the biggest consumer, is not in the agreement, neither are Malaysia and Indonesia, the fourth and fifth biggest producers, who are attending the Geneva talks as observers.

Rubber dampened by its price

Dr A.F. Budiman, executive director of the Indonesian Rub-

Indonesia production is expected to reach 1.67m tonnes by 2000.

a fall in the growth of new planting. "If the [world] economy recovers ... it may be difficult to produce enough natural rubber in the second half of the current decade and in the first decade of the next century to satisfy demand."

The producers allege the exchange price is depressed by the low volume and quality of rubber traded in Singapore. Tyre companies have responded by saying they will reduce direct sales and

Producers' complaints, however, may be overblown. Traders say rubber is a fickle commodity and while marginal oversupply at present has resulted in low prices, a shift to a small excess in demand

Donor agencies say farmers replanting now will get a good price when their trees reach maturity. In Indonesia, the World Bank and Asian Development Bank have committed more than \$300m in projects to rehabilitate and expand small-holder plantations.

Mongstad has an annual refining capacity of 8.5m tonnes. The upgraded facility came on stream at the end of 1989 at a cost overrun of Nkr7bn, creating what is widely considered to be one of Norway's biggest ever industrial scandals. The event forced the resignation of Mr Arve Johnsen, chief executive, fol-

Last year Mongstad suffered a Nkr710m operating loss, including finance costs, versus a Nkr797m loss in 1991. Before

Mrs Berit Oeyen, a Statoil spokeswoman, said the company would be forced to rethink Mongstad's future if big improvements to profitability are not made by the end of next year.

However, Mr Joseph Robertson Jr, first vice chairman of the New York Commodity

Among London-based traders to the LME copper contract will shortly switch from sterling to dollars. This eliminates the main reason for excluding copper from US warehouses. Mr Bagri said at the confer-

Comex's Mr Robertson, who stressed he was speaking personally, made it clear that the New York exchange was in no mood to hand over business to the LME without a fight.

funded 40 per cent by Pakistan's privately held Westbury Consortium and 60 per cent by Malaysian government and private concerns, aims to sell refined palm oil to the Gulf states and central Asia.

PLATINUM group metals closed above the day's lows in London after falling in the wake of an overnight report that Japanese car-makers will cut imports in 1993 and may sell metal from their stockpiles. "Platinum and **PALLADIUM** really needed a shake-out and I think that's what we've seen on the Japanese news, but the main improvement in platinum demand is likely to be in Europe and the US this year," one dealer said. Nymex platinum and palladium futures were down at midday. **RHODIUM** was quoted at \$1,500 on the free market in London, down \$150

on the day; a possible retreat to \$1,400 was predicted. **ALUMINUM and COPPER** prices moved up to the higher end of comparatively narrow ranges on the LME. Dealers said aluminum's gains were fostered by reports of a 36,000 tonne production cutback at a US smelter. Talk also circulated that Bonneville Power Administration restrictions will make power increasingly expensive for the aluminum smelters it services.

SPOT MARKETS		
Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	\$185.04-5.70	+ 220
Brent Blend (dashed)	\$187.93-7.38	+ 150
Brent Blend (Apr)	\$187.80-7.90	+ 170
WTI (1 pm est)	\$189.52-9.66	+ 215
Oil products		
(NYSE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$189-181	-1.8
Gas Oil	\$178-169	
Heavy Fuel Oil	\$70-71	-1
Naphtha	\$158-170	-5.5
Petroleum Argus Estimates		
Others		
		+ or -
Gold (per troy oz)	\$330.05	-0.10
Silver (per troy oz)	\$6A.32	-1.00
Platinum (per troy oz)	\$261.50	-0.25
Palladium (per troy oz)	\$112.00	-0.00

BAGGAGE - London PER		(\$ per tonne)	
Rate	Current	Previous	High/Low
Mar	203.00	195.00	206.00 200.00
Apr	214.00	213.00	218.00
May	214.00	212.00	214.00
White		Current	High/Low
May	226.50	226.50	229.00 225.00
Jun	228.40	227.00	231.00 227.00
Oct	254.40	255.50	264.00 253.00

Turnover: Rues 1st 1681 tons of 50 tonnes.
 White 1008 (135) Pairs: 50 (7% per tonne);
 May 1494.74 Apr 1531.88

COFFEE - C, BONE		\$/barrel	
	Latest	Previous	High/Low
Apr	17.86	17.73	17.81 17.62
May	17.98	17.77	17.90 17.69
Jun	17.85	17.85	17.85 17.77
Jul	17.97	17.90	18.00 17.92

	Price	Change
Tin (US Compur Western)	18.00¢	+0.09
Zinc (US Prime Western)	82.00	+0.06
Copper (live weight)	126.30¢	+1.60¢
Sheep (live weight)♦	107.90¢	+8.5¢
Pigs (live weight)	84.50¢	+0.34
London daily sugar (raw)	\$239.0	+9.5
London daily sugar (white)	\$271.0	+0.5
Tate and Lyle export price	\$277.5	+8.0
Barley (English feed)	1140 lbz	
Malze (US No 3 yellow)	\$165.0	
Wheat (US Dark Northern)	limq	
Rubber (Marq)♦	50.00	+0.25
Latex (Marq)	54.25	+0.25
Latex (KL Phils No 1 Feb)	52.00	-0.10
Coconut oil (Philippines)	\$446.0	-2.5
Coconut Oil (Malaysia)	\$437.5	
Copra (Philippines)	\$237.5	
Yesso-banbe (US)	\$1185.00	+2.5
Yesso-banbe (Philippines)	61.25¢	+0.05
Yesso-banbe (Malaysia)		

[illegible]

\$/lb	Close
117	Aluminum, 99.7% purity
238	Cash 1952-9
236	3 months 1230-1
190	Copper, Grade A & B per lb
186	Cash 1539-9
187	3 months 1552-3
150	Lead (¢ per tonne)
tonnes	Cash 297.5-8.8
tonnes, Daily	3 months 297-5
day average	Nickel (\$ per tonne)
\$/tonne	Cash 6205-10
	3 months 6270-6
	Tin (\$ per tonne)
Low	Cash 5900-10
32	3 months 5880-70
00	Zinc, Special High Grade
00	Cash 1061-3
05	3 months 1080-1
19	LINE Clearance 1/2¢ return

(name)	High/Low	AM Official	Kerb class	Open Interest
0.0			Total daily turnover 21,771 lots	
0.5		1204.5-5.0	1598-9.5	162,678 lots
1.0	1503/1221	1226-5.0		
		Total daily turnover 12,820 lots		
1.5	1556	1254-4.5	1558-9	161,861 lots
2.0	1590/1553	1278-5.0		
		Total daily turnover 1,900 lots		
2.5	2289	1286.5-7.0		
3.0	30/1296	298.5-6.0	295.5-7.0	17,130 lots
		Total daily turnover 5,582 lots		
3.5		6180-9.0		
4.0	6280/6220	6245-9.0	6255-6.0	41,043 lots
		Total daily turnover 1,715 lots		
4.5	5767/5795	5797-4		
5.0	5970/5850	5855-6.0	5860-7.0	5,394 lots
		Total daily turnover 7,629 lots		
5.5	1009.5	1078.5-60.0		
6.0	1033/1078	1078.5-9.0	1080-1	61,482 lots

LONDON BULLION MARKET	
(Prices supplied by N M METALS)	
Gold (tray oz)	
	\$ price
Closing	329.90-330.25
Opening	329.70-330.00
Morning fix	329.00
Afternoon fix	329.35
Day's high	330.00-330.35
Day's low	328.80-329.15
Local Ldn Mean Gold Lease	
1 month	2.58
2 months	2.55
3 months	2.55
Silver fix p/tray 62	
Spot	295.65
3 months	280.65
6 months	264.25
12 months	270.85

New York					
Pair	GOLD 100 Troy oz. \$/Troy oz.				
Equivalent	Close	Previous	High/Low		
	Feb	330.7	331.0	331.3	329.8
	Apr	331.5	331.8	332.8	329.8
28.941	Jun	332.9	332.9	334.2	331.0
29.918	Aug	334.1	334.1	335.8	332.7
	Oct	335.5	335.5	336.3	334.3
Contracts (vs US)	Dec	337.0	337.0	337.9	335.5
	Feb	338.5	338.6	339.5	337.5
2.54	Apr	340.2	340.4	341.0	338.4
2.54					
	PLATINUM 50 Troy oz. \$/Troy oz.				
\$ vs equiv	Close	Previous	High/Low		
Feb	359.8	359.8	0	359.5	
35.60	Apr	363.5	363.5	364.0	360.5
37.30	Jun	365.0	365.0	365.5	363.5
17.40	Oct	369.0	361.1	0	0
18.85	Jan	355.0	355.1	0	0
	SILVER 5,000 Troy oz. cents/Troy oz.				

265	Alloy 90/10	359.50-362
195	New Sovereign	78.50-81.50
255		
THAISET OPTIONS		
	Aluminium (99.7%)	Col
	Strike price 5 tonne Mar	
t/tonne	1100	5 tonne Mar
	1200	34
	1250	10
	Copper (Grade A)	Call
142.25	2250	55
144.00	2300	28
112.25	2300	12
row	Cottles	May
	900	76
	950	49
\$ (28)	1000	31
	Cocoa	May
	700	46
	ement) p/kg	

00-07-05		May	395.8	373.9	368.5	365.5
	Mar	388.1	367.8	371.5	368.0	
	Jan	397.0	374.7	372.5	372.0	
	Dec	374.1	374.4	376.5	374.0	
	Nov	374.8	378.2	0	0	
	Mar	378.0	385.5	385.5	378.0	
	Mar	380.7	383.4	385.0	383.0	
	Jun	383.4	386.2	0	0	
HEAVY GRADE COWS: 25,000 lbs; corn/soy						
			Close	Previous	High/Low	
	Feb	89.00	90.75	90.00	90.00	
	Mar	89.00	90.50	90.45	90.65	
	Apr	90.25	90.30	0	0	
	May	89.65	90.65	90.65	90.65	
	Jun	90.00	90.00	90.00	100.15	
	Jul	100.00	100.15	100.60	100.10	
	Aug	100.45	100.45	0	0	
	Sep	100.75	100.70	101.30	100.90	
CRUDE OIL: Light 42,000 US galls/ barrel						
			Latest	Previous	High/Low	
	Mar	19.82	19.33	19.83	19.10	
	Mar	19.82	19.33	19.83	19.10	

	Latest	Previous	High/Low
Mar	54.35	54.63	54.60
Apr	55.00	54.46	55.00
May	54.45	52.86	54.46
Jun	54.16	53.20	54.20
Jul	54.50	53.67	54.50
Aug	54.50	53.67	54.50
Sep	55.05	55.98	55.08
Oct	57.05	56.68	57.08
Nov	58.02	57.23	58.00
Dec	58.00	58.38	58.00

2020 Q4 Lowest/Previous

	Close	Previous	High/Low
Mar	988	987	920
May	925	929	938
Jul	953	955	935
Sep	965	965	957
Dec	1013	1018	1014
Mar	1042	1046	1042
May	1065	1072	1085

SOYABEANS, 5,000 bu./ctn; cents/500 bushel				
	Close	Previous	High/Low	
Mar	573 1/2	573 1/2	575 5/8	571 1/4
May	574 5/8	575 1/4	577 5/8	573 1/2
Jul	578 1/4	580 1/2	581 1/8	575 3/4
Aug	580 1/2	582 1/4	582 1/2	578 1/2
Sep	583 1/8	583 1/4	583 3/4	579 1/4
Oct	585 1/2	586 1/2	586 1/2	580 1/2
Jan	589 1/4	587 3/8	588 1/4	582 1/2
Mar	600 1/2	603 1/2	0	0

SOYABEAN OIL, 60,000 lbs.; cents/lb.				
	Close	Previous	High/Low	
Mar	30 7/7	30 5/8	31 1/8	30 7/8
May	31 1/2	31 1/8	32 1/8	31 1/4
Jul	31 1/2	31 5/8	31 8/8	31 1/2
Aug	31 3/8	31 5/8	31 8/8	31 1/2
Sep	31 5/8	31 5/8	31 7/8	31 1/2
Oct	31 5/8	31 5/8	31 7/8	31 1/2

CORFE 40° 37,500/lbs; cents/lbs				#
	Close	Previous	High/Low	
Mar	\$3.30	\$2.95	\$4.50	83.10
May	\$7.50	\$6.60	\$7.85	87.10
Jul	\$8.10	68.25	69.50	89.00
Sep	70.75	70.05	71.10	70.70
Oct	72.75	72.75	73.00	73.25
Mar	75.65	75.25	76.50	76.50
May	78.00	77.50	0	0

SUGAR WORLD 11° 112,000/lbs; cents/lbs				#
	Close	Previous	High/Low	
Mar	\$1.08	\$3.35	9.50	8.99
May	9.49	9.65	9.77	9.47
Jul	9.64	9.72	9.76	9.60
Oct	9.09	9.28	9.25	9.08
Mar	9.96	9.00	9.09	9.95
May	9.96	9.00	9.00	9.00
Jul	8.98	9.10	0	0

COTTON 55,000; cents/lbs		#
Mar	55.00	55.00

	Close	Previous	High/Low
Mar	177.5	177.8	178.3
May	178.9	178.9	179.1
Jul	180.0	180.0	180.3
Aug	181.9	181.9	182.1
Sep	182.8	182.8	183.3
Oct	183.7	183.7	184.2
Nov	185.1	185.7	186.0
Jan	185.3	186.1	0
MAIZE 50 bush/bu; min; cent/50b bushful			
	Close	Previous	High/Low
Mar	2129	2134	2140
May	2202	2202	2220
Jul	2274	2274	2276
Sep	2358	2336	2346
Oct	2384	2384	2384
Nov	2456	2470	2474
May	2524	2510	2514
Dec	2484	2490	2494
WHEAT 50 bush/bu; min; cent/50b bushful			
	Close	Previous	High/Low

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Oct	64.90	64.10	65.15						
Nov	64.20	63.65	64.20	63.70					
Dec	62.95	62.68	63.20	62.85					
Jan	61.00	62.53	63.50	63.50					
Feb	61.00	64.12	64.20	64.05					
Mar	63.00	64.75	0	0					

ORANGE JUICE 15,000 lbs; cont'd/bu			
	Close	PreMarket	High/Low
Mar	68.70	70.30	70.95
Apr	72.50	73.80	74.30
May	71.30	71.60	72.30
Jun	71.00	80.00	81.00
Nov	69.50	82.80	84.00
Dec	68.75	77.30	78.00
Jan	66.75	68.75	68.90
Feb	67.50	90.25	90.30
Mar	66.75	90.30	0

INDICES	
REUTERS (Base: September 18 1931 = 100)	

[illegible]

[illegible]

INVESTMENT TRUSTS - Cont.

	1971	1972	1973
23	0.8	0.8	0.8
24	0.8	0.8	0.8
25	0.8	0.8	0.8
26	0.8	0.8	0.8
27	0.8	0.8	0.8
28	0.8	0.8	0.8
29	0.8	0.8	0.8
30	0.8	0.8	0.8
31	0.8	0.8	0.8
32	0.8	0.8	0.8
33	0.8	0.8	0.8
34	0.8	0.8	0.8
35	0.8	0.8	0.8
36	0.8	0.8	0.8
37	0.8	0.8	0.8
38	0.8	0.8	0.8
39	0.8	0.8	0.8
40	0.8	0.8	0.8
41	0.8	0.8	0.8
42	0.8	0.8	0.8
43	0.8	0.8	0.8
44	0.8	0.8	0.8
45	0.8	0.8	0.8
46	0.8	0.8	0.8
47	0.8	0.8	0.8
48	0.8	0.8	0.8
49	0.8	0.8	0.8
50	0.8	0.8	0.8
51	0.8	0.8	0.8
52	0.8	0.8	0.8
53	0.8	0.8	0.8
54	0.8	0.8	0.8
55	0.8	0.8	0.8
56	0.8	0.8	0.8
57	0.8	0.8	0.8
58	0.8	0.8	0.8
59	0.8	0.8	0.8
60	0.8	0.8	0.8
61	0.8	0.8	0.8
62	0.8	0.8	0.8
63	0.8	0.8	0.8
64	0.8	0.8	0.8
65	0.8	0.8	0.8
66	0.8	0.8	0.8
67	0.8	0.8	0.8
68	0.8	0.8	0.8
69	0.8	0.8	0.8
70	0.8	0.8	0.8
71	0.8	0.8	0.8
72	0.8	0.8	0.8
73	0.8	0.8	0.8
74	0.8	0.8	0.8
75	0.8	0.8	0.8
76	0.8	0.8	0.8
77	0.8	0.8	0.8
78	0.8	0.8	0.8
79	0.8	0.8	0.8
80	0.8	0.8	0.8
81	0.8	0.8	0.8
82	0.8	0.8	0.8
83	0.8	0.8	0.8
84	0.8	0.8	0.8
85	0.8	0.8	0.8
86	0.8	0.8	0.8
87	0.8	0.8	0.8
88	0.8	0.8	0.8
89	0.8	0.8	0.8
90	0.8	0.8	0.8
91	0.8	0.8	0.8
92	0.8	0.8	0.8
93	0.8	0.8	0.8
94	0.8	0.8	0.8
95	0.8	0.8	0.8
96	0.8	0.8	0.8
97	0.8	0.8	0.8
98	0.8	0.8	0.8
99	0.8	0.8	0.8
100	0.8	0.8	0.8

Gas Daily Inc.	12/1	123 1/2
Gas	12/2	700

54	2.9	-	-
55	1.0	94.8	18.8
56	-	-	-
57	0.8	213.5	14.6
58	0.4	41.2	-6.8
59	-	141.2	5.9
120	3.6	258.1	11.3
125	3.8	280.0	10.8
202	5.3	178.4	24.6
285	2.3	139.8	12.4
0	-	-	-
0	-	-	-
12	-	28.8	42.3
22	1.3	58.6	31.7
38	1.2	140.1	27.8
42	0.3	-	-
52	-	-	-
54	-	-	-
57	0.4	107.8	-7.3
19	-	-	-
19	0.8	274.6	10.3
66	30.4	-	-
84	0.8	34.7	39.8
8	-	-	-
8	-	-	-

Year	1970	1971	1972	1973
1970	1.0	1.0	1.0	1.0
1971	1.0	1.0	1.0	1.0
1972	1.0	1.0	1.0	1.0
1973	1.0	1.0	1.0	1.0
1974	1.0	1.0	1.0	1.0
1975	1.0	1.0	1.0	1.0
1976	1.0	1.0	1.0	1.0
1977	1.0	1.0	1.0	1.0
1978	1.0	1.0	1.0	1.0
1979	1.0	1.0	1.0	1.0
1980	1.0	1.0	1.0	1.0
1981	1.0	1.0	1.0	1.0
1982	1.0	1.0	1.0	1.0
1983	1.0	1.0	1.0	1.0
1984	1.0	1.0	1.0	1.0
1985	1.0	1.0	1.0	1.0
1986	1.0	1.0	1.0	1.0
1987	1.0	1.0	1.0	1.0
1988	1.0	1.0	1.0	1.0
1989	1.0	1.0	1.0	1.0
1990	1.0	1.0	1.0	1.0
1991	1.0	1.0	1.0	1.0
1992	1.0	1.0	1.0	1.0
1993	1.0	1.0	1.0	1.0
1994	1.0	1.0	1.0	1.0
1995	1.0	1.0	1.0	1.0
1996	1.0	1.0	1.0	1.0
1997	1.0	1.0	1.0	1.0
1998	1.0	1.0	1.0	1.0
1999	1.0	1.0	1.0	1.0
2000	1.0	1.0	1.0	1.0
2001	1.0	1.0	1.0	1.0
2002	1.0	1.0	1.0	1.0
2003	1.0	1.0	1.0	1.0
2004	1.0	1.0	1.0	1.0
2005	1.0	1.0	1.0	1.0
2006	1.0	1.0	1.0	1.0
2007	1.0	1.0	1.0	1.0
2008	1.0	1.0	1.0	1.0
2009	1.0	1.0	1.0	1.0
2010	1.0	1.0	1.0	1.0
2011	1.0	1.0	1.0	1.0
2012	1.0	1.0	1.0	1.0
2013	1.0	1.0	1.0	1.0
2014	1.0	1.0	1.0	1.0
2015	1.0	1.0	1.0	1.0
2016	1.0	1.0	1.0	1.0
2017	1.0	1.0	1.0	1.0
2018	1.0	1.0	1.0	1.0
2019	1.0	1.0	1.0	1.0
2020	1.0	1.0	1.0	1.0
2021	1.0	1.0	1.0	1.0
2022	1.0	1.0	1.0	1.0
2023	1.0	1.0	1.0	1.0
2024	1.0	1.0	1.0	1.0
2025	1.0	1.0	1.0	1.0
2026	1.0	1.0	1.0	1.0
2027	1.0	1.0	1.0	1.0
2028	1.0	1.0	1.0	1.0
2029	1.0	1.0	1.0	1.0
2030	1.0	1.0	1.0	1.0
2031	1.0	1.0	1.0	1.0
2032	1.0	1.0	1.0	1.0
2033	1.0	1.0	1.0	1.0
2034	1.0	1.0	1.0	1.0
2035	1.0	1.0	1.0	1.0
2036	1.0	1.0	1.0	1.0
2037	1.0	1.0	1.0	1.0
2038	1.0	1.0	1.0	1.0
2039	1.0	1.0	1.0	1.0
2040	1.0	1.0	1.0	1.0
2041	1.0	1.0	1.0	1.0
2042	1.0	1.0	1.0	1.0
2043	1.0	1.0	1.0	1.0
2044	1.0	1.0	1.0	1.0
2045	1.0	1.0	1.0	1.0

Package Units	JAL	2027	1000	4
Board Units	JAL	1000	1000	4

27	18.1	-	-
27 12	36.0	63.4	-
27 12	8.2	57.7	9.4
27 12	4.5	107.8	-5.0
27 12	-	617.5	33.1
27 12	2.1	14.2	14.2
27 12	4.1	125.3	1.5
27 12	-	91.9	17.8
27 12	8.5	60.8	14.5
27 12	0.5	388.1	14.8
27 12	8.0	494.1	22.8
27 12	3.2	148.4	55.0
27 12	5.8	236.5	-2.3
27 12	-	-	-
27 12	11.5	-	-
27 12	-	235.1	50.5
27 12	2.7	348.5	15.0
27 12	2.7	107.2	47.8
27 12	6.2	132.3	-7.5
27 12	-	-	-
27 12	4.4	116.7	-0.5
27 12	5.4	117.2	3.7
27 12	-	-	-
27 12	5.8	45.5	14.3
27 12	1.8	172.5	15.3
27 12	1.4	51.8	15.8
27 12	4.6	307.8	-1.8
27 12	6.0	210.5	11.5
27 12	1.8	335.8	3.5

Cap	2875	41	2859	5
Wash	2875	41	2859	225

5.4	312.8	19.5
5.5	355.2	21.1
5.6	373.7	23.5
11.9	741.6	66.1
2.7	163.7	25.5
3.7	63.7	28.7
4.4	116.5	40
14.5	119.7	32.3
1.5	336.1	17.2
0.4	347.2	-5.5
0.5	36.5	11.1
2.5	165.5	21.1
1.3	127.9	5.0
2.7	131.3	-1.1
3.5	131.3	28.8
2.2	52.9	9.2
3.4	404.3	22.1
0.5	46.9	37.2
16.9	161.8	6.7
16.7	230	36.2
16.5	108.9	59.2
4.5	117.9	6.5
16.7	122.4	73.0
4.5	206.5	11.7
14.5	226.0	36.5
22.5	102.0	5.0
5.5	22.2	25.5
5.5	22.2	25.5
4.7	162.0	11.9

MINES - Cont

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

\$ rides Clinton switchback

THE DOLLAR bounced higher in early European trading but doubts about President Clinton's plans for reducing the US budget deficit left it struggling to break through DM1.6400, write Emma Tucker and Gillian Teet.

The market's initial reaction to the President's economic package was favourable and the US currency rose to DM1.6600, but by the European close it had dropped to around DM1.6300.

Market worries were fed by Whitehouse comments that the President hoped to work with the Federal Reserve to keep rates low and that Mr Alan Greenspan, chairman of the Federal Reserve, shared that goal. These appeared to outweigh relatively strong inflation and trade data. The December merchandise trade deficit narrowed to \$8.5bn from \$7.35bn and both the headline and core rates of inflation rose by more than expected.

Mr Stephen Hannah, economist at IBI International, said that the budget reductions from markedly different reactions to the President's message.

"One camp is highly cynical, and says the budget reductions

are based on tax increases rather than lower expenditure," he said. "It worries that the expenditure figures will rise once the plans reach Congress so a high deficit will continue to be generated."

The opposing view, according to Mr Hannah, is that President Clinton is being bold and is dealing with the deficit in the appropriate manner.

Mr Avinash Persaud, currency economist at UBS Phillips and Drew, believes the president's growth package will trigger fast economic growth this year.

The key factor is the timing of the fiscal stimulus with respect to his reduction measures. The fiscal stimulus is front end loaded whereas reduction measures are back end loaded," Mr Persaud said, pointing out that since Clinton's tax measures would not be introduced until at least the autumn, they would not damp economic growth this year.

The dollar closed up just over 1/4 penny at DM1.6335. Trading in European currencies was quiet. The exchange rate mechanism came under no particular pressure, with poor industrial production figures in France making little impact on the franc. The French currency closed fractionally stronger at FF43.389 against the D-Mark.

The lira continued to fall in spite of the reduction in ERM tensions, suggesting that it is now domestic factors determining the lira's level. Mr Neil MacKinnon, chief economist at Citibank said: "The lira has been very much undermined by worries over the strength of the government coalition." It closed at L563.4 against the D-Mark compared with L561.1 at the previous close.

Sterling stood on the sidelines, unmoved by better than expected bank lending and unemployment figures. It closed up a penny at DM2.9600.

EUROPEAN CURRENCY UNIT RATES

	Unit	Rate	% Chg
Spanish Peseta	166.639	136.791	-1.35
Portuguese Escudo	200.482	177.477	-1.16
Irish Punt	0.787564	0.787564	0.00
French Franc	6.55957	6.55957	0.00
German Mark	1.93627	1.93627	0.00
Italian Lira	2.336	2.336	0.00
Japanese Yen	100	100	0.00
Swiss Franc	2.0	2.0	0.00

See central rates by the European Commission. Currencies are in descending order of value. Percentage changes are for the day's trading. The dollar is the base unit. The dollar is the base unit. The dollar is the base unit.

Source: Reuters. Sterling and Dollar rates are based on the London market. All other rates are based on the Frankfurt market.

Forward rates and discounts apply to the US dollar.

C IN NEW YORK

Feb.18	Latest	Previous Close
1 Spot -----	1.4455-1.4465	1.4450 1.4460
1 month -----	0.35-0.34pm	0.36 0.34pm
3 months -----	1.07-1.05pm	1.06 1.03pm
12 months -----	2.00-2.00pm	2.00 2.00pm

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TOKYO - Most Active Stocks						
Thursday, 18th February, 1993						
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices
Mitsubishi Corp	0.5m	285	+1	Daiwa Kang	0.2m	9
Nippon Steel	0.5m	550	+35	Kanamaru Corp	3.2m	415
Nissan	0.5m	510	+4	Shimizu Bank	3.2m	1,210
Toyota Motor	2.4m	1,920	2.8m	Norinori	2.8m	605
Fuyo	2.3m	575	2	Sumitomo	1.7m	372

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Learn about February 17

Continued on next page

NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

4 pm close February 18

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 18

[illegible]

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AMERICA

Dow loses early gains
as buying fizzles out

Wall Street

US prices were in mixed form yesterday following the announcement of President Bill Clinton's economic package, although secondary stocks, which were particularly hard hit earlier in the week, staged an impressive rally, writes Patrick Harverson in New York.

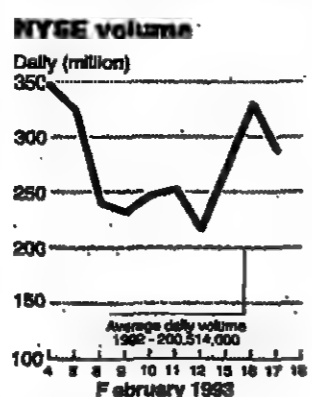
At 1pm, the Dow Jones Industrial Average was down 14.59 at 3,297.60. The more broadly based Standard & Poor's 500 was down 1.40 at 431.50, while the Amex composite was up 1.00 at 402.36, and the Nasdaq composite up 2.69 at 662.12. Trading volume on the NYSE was 177m shares by 1pm, and rises outnumbered declines by 1,015 to 770.

After the big sell-off on Tuesday, the dominant feeling yesterday was one of relief that the State of the Union speech did not include any nasty surprises.

Taken together with further good news on the economy - industrial production up 0.4 per cent in January and weekly jobless claims down sharply - share prices saw

strong early gains, lifting the Dow more than 35 points in the first few minutes of trading.

The buying, however, quickly evaporated, at least among blue-chip and large to medium sized stocks. The general reaction to the economic package was that it was much



more bullish for bonds than equities, while concern that higher taxes will retard economic growth continued to trouble investors. Consequently, the main indices gave back their morning gains, and by early afternoon were back

at opening values.

In contrast, the secondary market remained buoyant, as investors rushed to pick up Nasdaq stocks which they believed had been oversold during the first half of the week.

Leading Dow stocks were in mixed form, with IBM flat at \$50. General Motors down 3/4 at \$39.4, Philip Morris up 1/4 at \$71, International Paper down 3/4 at \$54, and Merck up 3/4 at \$37.

Merck aside, most other big drug stocks were lower, still worried about possible government-imposed limits on pharmaceutical prices. Schering-Plough slipped 3/4 to \$67, Pfizer fell 3/4 to \$58, and Bristol-Myers Squibb lost 3/4 at \$56.

Canada

TORONTO opened strongly on a parallel Wall Street rally, but eased by midsession when the TSE-300 composite index was just 5.98 higher at 3,423.68, reflecting weakness in financials and strength in oil and gas stocks. In particular, Volume rose from 18.5m to 24.7m shares.

By Hugh Carnegie
in Jerusalem

SHARE prices in Tel Aviv fell heavily yesterday, the latest lurch in a 10-day downturn as investors reacted to allegations that Israeli banks have been stoking the market to unwarranted levels.

Already depressed by worries that equities were overvalued after riding a surging bull market for most of the past two years, the index of the 100 most traded shares dropped 5 per cent during the morning session, before recouping some of the loss. It ended the day down 3.9 per cent at 194.63.

This compares with a high of 213.17 on February 6 and an early 1993 mark of 196.93, which in turn compared with a level of 100 at the beginning of 1992.

The day's fall followed remarks to a parliamentary committee on Wednesday by Mr Moshe Bejsky, the former High Court judge, which raised the spectre of a disastrous share collapse in 1993.

Mr Bejsky, who chaired a

state commission of inquiry into the 1983 crash, said bank-owned mutual and providential funds, which have supplied much of the heavy demand on the TASE, "do not always have the interests of savers as their first concern." He added: "The fact that it is the banks which manage the provident and the mutual funds constitutes an inadmissible conflict of interest."

Present market conditions are very different from those of 1983, when the principal cause of the crash was the collapse of a system by which the banks ramped up their own shares. But government officials, brokers and analysts have noted that the banks, suffering from low margins in their main-stream business, have benefited by heavy lending to investors for stock purchases made through their own institutions.

Mr David Klein of the Bank of Israel comptroller's committee also told the Knesset: "People who want to invest are still not getting objective financial advice. Each bank

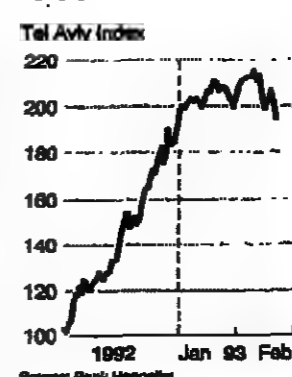
simply sells its own goods."

Bank of Israel officials said they were considering moves to remove mutual and providential funds completely from bank control, or at least to strengthen the "Chinese walls" between them through independent committees. Judge Bejsky noted that his commission of inquiry had advised separation, but that no action had been taken.

The issue has acquired extra urgency because of the government's plan to sell off 20 per cent of Bank Hapoalim, the country's biggest bank, on the TASE within the next few weeks. Along with its rivals, Bank Leumi, Israel Discount Bank and Bank Mizrahi, Bank Hapoalim has been majority-owned by the state since the government spent \$7bn on buying up bank stock after the 1983 crash.

Mr Klein said it would be impossible to take bank control over the mutual and providential funds from the banks after they were re-capitalised.

Israel



Source: Bank Hapoalim

In spite of the heat generated by the row over the role of the banks, analysts said it tended to cloud judgment of the underlying health of the market, which has slipped back significantly in a yo-yo pattern of trading since peaking in early February.

Comments by the Bank of Israel that the market was like a "financial bubble" and similar cautionary talk from the Finance Ministry helped to

induce the slump, which the banks row compounded. Significantly, Israeli high-tech stocks quoted in New York, where they have consistently outperformed local markets over the past year, also declined on Wednesday, a day when the Dow Jones index rose overall.

But most analysts in Tel Aviv say they do not anticipate a 1983-style crash. They point out that the market is now much broader and deeper, but still not soaking up a steady flow of demand. Also, the high inflation, low growth economy of 1993 has been replaced by strong growth and single-digit inflation.

Mr David Rosenberg of Pacific Mediterranean Investments said: "The market was due for a correction, but we are probably past the worst of it." He added that average historical price-earnings ratios were down to 20 or less. "It could go to 18 before recovering, but the underlying fundamentals are still good. We think it is a little overvalued, but not much."

EUROPE

Senior bourses anticipate German M3 data

THE BUNDESBANK did not move on interest rates yesterday but bourses rose, partly on spreading optimism for modest German M3 growth for January, writes Our Markets Staff.

As dealers said that hopes of further interest rate cuts were based on expectations of M3 landing within the Bundesbank's target range, the president of the Munich-based life economic research institute was saying that Buba should make further cuts to encourage more capital investment.

Meanwhile, bond yields were dropping in Frankfurt and Paris, and nudging their equities higher.

FRANKFURT registered a seven-month high as the DAX index rose 19.90 to 1,672.26, its highest close since July 17, just after a Bundesbank rise in the German discount rate took European equities into decline. Turnover improved from DM6.1bn to DM6.5bn.

Even though there had been no decrease in rates yesterday, Mr Edgar Benischek at Bank Julius Bär in Frankfurt said that investors were aware that the Bundesbank had taken two small steps on the downward path when, on precedent, it could be expected to take seven or eight.

Even after an 8 per cent recovery this year, he added, the DAX was still 4 per cent down from its July 16 level, while the Bundesbank's average bond yield had fallen from 8.48 to 6.71 per cent, or by 177 basis points, in the interim.

Finally, he said, the market was 12 months ahead of the economy, looking not to 1993 when the move to strong cost reductions will hit corporate profits, but to 1994 when some of the benefits will arise.

The interest rate and cost reduction measures were reflected respectively in financials, where Deutsche Bank rose DM11.70 to DM62.70, and

FT-SE Actuaries Share Indices

February 18	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE 100	1128.53	1130.57	1128.59	1130.55	1132.19	1133.24	1133.42	1132.95
FT-SE 250	1179.74	1180.53	1181.84	1180.49	1181.13	1182.86	1183.02	1182.33
FT-SE 100	1121.77	1123.14	1132.97	1129.97	1126.71	1126.71	1126.71	1126.71
FT-SE 250	1173.51	1179.54	1184.15	1181.05	1175.45	1175.45	1175.45	1175.45

Source: Reuters 1993 02/19/93. High/Low: 100 - 1128.53/1133.42; 250 - 1179.74/1183.02

in carmakers where Volkswagen recovered DM5.80 to DM287.40 after its fall on last Friday's DB Research downgrade.

PARIS stayed with the interest rate as many investors clung to the belief that European rates are due to ease in the short-term. The CAC-40 index, which dipped briefly after the Bundesbank left the Lombard rate unchanged, closed off the day's high of 1,932, but still 21.55 ahead at 1,956.53.

Apart from financial and bank stocks, stronger on rate

cut hopes, high turnover was noted in Bon Marche, up FF746 or 8 per cent at FF7354, with speculation that there might be a restructuring of companies in Mr Bernard Arnault's group.

Chargeurs gained FF58 to FF11.375 after confirming reports that it may buy a 20 per cent stake in the satellite division of Canal Plus, FF171 firmer at FF11,233.

Rhone-Poulenc continued to advance ahead of its inclusion in the CAC on Monday and its good earnings announcement on Wednesday. The shares rose FF17 to FF7585.

MILAN stayed firmly in the grip of 'flat fever' as shares in the car group advanced another 8 per cent, fixing at L5,400. Most analysts believe that demand for the stock has come about partly because of its relative cheapness prior to its gains at the end of last week, and through foreign institutions, underweight in Italy, looking to enter the market. Speculation that Fiat might be planning a rights issue with warrants has also fuelled demand, according to other analysts.

The Comit index rose 7.96 to 566.49. Olivetti gained L66 to L3,085 while, among the banks, Mediobanca was L355 firmer at L14,705.

ZURICH followed the general trend, helped by easier Swiss interest rates, banks were strong and volume was described as fairly good as the SMI index rose 19.0 to 2,131.9. Union Bank saw heavy volume as it rose SF79 to SF796, SBC added SF7 to SF7342 and CS

Holding SF30 to SF23,150.

STOCKHOLM saw S-Banken decline after announcing that it expects to see further loan losses in 1993-94. The C shares lost SKr2 to SKr12 but the rest of the market was generally firmer with the Affarsvarlden General Index advancing 10.9 to 964.9 in turnover of SKr1.1bn.

Ericsson and Astra both recovered Wednesday's losses, with respective rises of SKr3 and SKr8 to SKr716 and SKr722.

OSLO was helped to a higher close by Kvaerner which, up SKr2.50 at SKr163, said that it expected stronger earnings in 1993. The all-share index improved 1.88 to 388.74 in turnover of NKr612.5m. Norsk Hydro, which releases 1992 results on Monday, gained NKr1.00 to NKr182.50.

AMSTERDAM armed with chemical stocks and major blue chips giving good performances. The CBS Tendency index advanced 1.3 to 98.0.

ASIA PACIFIC

Hong Kong rises 1.6% as
Tokyo shows modest loss

Tokyo

TECHNICAL trading dominated activity as investors remained on the sidelines to observe movements on the currency and bond markets after President Bill Clinton's economic statement in the US, writes Emiko Terazono in Tokyo.

The Nikkei average declined 27.49 to 16,982.14, having moved between 17,166.72 in the morning session and 16,974.82 in late trading.

Volume rose to 250m shares but from Wednesday's meagre 207m, as gains led losers by 847 to 385, with 182 issues unchanged. The Topix index of all first section stocks lost 0.16 to 1,289.12, and in London the FTSE100 index edged up 0.79 to 1,937.68.

Buying by public funds was countered by selling by investment trusts, while short-term traders and dealers sought large-capital steels and other theme stocks.

Mr Bill Clinton's policy announcement, presented during the lunch hour in Tokyo, had little effect on prices. Mr Yuichi Kohashi, analyst at Daiwa Securities, said: "The tax hikes had little news value for the market, and we would have to wait for the long-term impact on the foreign exchange and interest rates."

Nippon Steel, the day's most active issue, firmed Y1 to Y298 after reporting a better than expected dividend yield of some 2 per cent, against estimates of 0.9 per cent. Other large-capital issues attracting interest included Mitsubishi Heavy Industries, Y1 harder at Y507.

Nagase, a trading house specialising in chemical products, forged ahead Y36 to Y306 on the Aids theme - the company's subsidiary is currently developing an anti-Aids drug.

Kanematsu, a medium-sized trading house, moved ahead Y4 to Y416 on the same theme.

High-technology shares continued to weaken on worries over the high yen and falling demand. Hitachi dipped Y2 to Y676 and Fujitsu finished Y4 cheaper at Y523.

TDK, the tape manufacturer, declined Y50 to Y3,340 on reports that it would post a 26 per cent fall in consolidated pre-tax profits to Y9bn, sharply lower than previous estimates of Y36bn.

Housing issues were stronger on hopes of a recovery in demand. Haseko gained Y8 at Y610 and Shokusan Jutaku Sogo closed Y12 to the good at Y516. However, Dai-ichi, the leading condominium builder, softened Y2 to Y382 on profit-taking.

In Osaka, the OSE average improved 87.17 to 18,419.81 in volume of 78.1m shares.

Roundup

PRESIDENT Bill Clinton's economic statement received mixed reactions from the region's markets yesterday.

HONG KONG, encouraged by reports that China had freed a political dissident and on optimism that US-Sino tensions were easing, saw the Hang Seng index rise 99.48, or 1.6 per cent, to 6,166.94. Turnover was good at HK\$3.7bn following Wednesday's HK\$3.2bn.

Jardine Matheson, which has lagged behind the market recently, was one of the day's most active issues, climbing HK\$3.50 to HK\$50.50.

MANILA advanced some 3.5 per cent on hopes that a new oil field will provide most of the country's needs. The composite index put on 49.15 at 1,458.56 in turnover of some 255m pesos.

Investors were also encouraged by a good overnight performance in the US from Phil-

ippine Long Distance Telephone, which appreciated 25 pesos to 910 pesos.

KUALA LUMPUR retreated slightly in spite of an easing in interest rates. The composite index slipped 2.70 to 833.11 in turnover of M\$591m.

Among the day's losers, Tenaga Nasional, the electric utility, receded 10 cents to M\$3.70 with 1.73m shares traded. Telekom Malaysia dipped 20 cents to M\$12. Sime Darby weakened 16 cents to M\$4.60 in volume of some 1.25m shares.

SEOUL fell for the third straight session as hopes for measures to stimulate the economy receded. The composite index finished 11.21 lower at 853.91 in turnover of Won318.5bn.

SINGAPORE showed a modest improvement although there was little direction to buying. The Straits Times Industrial index ended 15.57 ahead at 1,632.13 in turnover of S\$166m.

AUSTRALIA retained early gains and banks continued to be supported by hopes that a change in government after next month's elections would lead to mergers in the sector. The All Ordinaries index closed 6 higher at 1,807.3.

ANZ, favoured as a merger candidate, added 2 cents at A\$3.40 in volume of some 3.8m shares. Among other banks, Commonwealth gained 3 cents at A\$6.50 but Westpac surrendered 4 cents to A\$3.23.

BANGKOK closed sharply lower as nervousness continued regarding First City Investment, which has been forced to defer repaying matured deposits. The SET index lost 11.81 to 861.43 in low turnover of B\$5.75bn.

NEW ZEALAND followed Wednesday's weakness with another setback of 9.78 in the NZSE-40 index to 1,590.93, with Telecom declining 5 cents to NZ\$2.67.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 17 1993										THURSDAY FEBRUARY 18 1993									
	US Dollar Index	Day's Change %	Point Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Point Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93	1993/93	Year ago (approx)				
Figures in parentheses show number of lines of stock																				
Australia (58)	128.79	-0.5	132.23	97.21	109.01	124.88	-0.6	3.38	129.43	132.58	97.89	109.76	125.42	133.68	108.18	145.94				
Austria (18)	143.28	-0.1	149.17	109.65	122.97	122.58	-1.2	1.83	143.37	148.89	109.95	123.38	124.06	150.70	131.16	181.16				
Belgium (42)	140.99	+0.3	144.76	106.40	119.33	116.65	-0.4	5.18	140.51	143.92	106.27	118.18	117.12	152.27	131.19	137.39				
Canada (113)	118.05	-0.2	121.20	99.09	95.91	107.75	+0.2	3.09	118.23	121.10	98.42	100.28	107.57	142.12	111.36	134.43				
Denmark (33)	204.94	-1.1	210.41	154.68	173.46	174.07	-1.3	1.57	207.22	212.24	156.73	175.77	178.43	273.94	181.70	248.29				
Finland (23)	68.90	-0.4	70.74	52.01	56.32	64.36	-0.9	1.71	69.21	70.88	52.94	58.70	55.11	69.80	52.94	62.61				
France (90)	152.75	+1.4	156.84	115.28	129.28	132.21	+1.2	3.39	150.68	154.33	113.95	127.79	130.64	166.75	129.93	159.22				
Germany (62)	111.86	-0.3	114.84	84.26	84.50	94.30	-0.6	2.42	112.04	114.76	84.75	96.03	95.03	129.68	101.59	116.52				
Hong Kong (35)	244.88	+0.7	261.17	184.83	207.08	242.82	+0.7	3.72	243.92	248.61	193.72	226.06	226.41	285.66	181.26	232.57				
Ireland (15)	129.91	-0.9	133.38	98.08	108.96	122.32	-1.1	4.34	131.10	134.27	99.15	111.20	123.72	173.71	122.86	163.40				
Italy (78)	59.53	-0.8	61.12	44.93	50.38	68.80	-0.5	0.52	60.10	61.55	45.45	50.97	60.12	80.86	47.47	74.25				
Japan (472)	108.69	+0.4	111.58	82.03	82.00	82.03	+0.1	1.01	108.31	110.93	81.91	91.88	81.91	140.95	87.27	116.27				
Malaysia (69)	238.11	-1.0	275.28	202.36	228.52	271.25	-1.2	2.47	270.90	277.47	204.66	229.77	274.56	282.42	212.49	248.36				
Mexico (18)	130.23	-2.1	149.56	113.08	127.40	511.84	-1.9	1.17	150.95	157.30	116.46	130.75	168.70	147.88	149.85					
Netherlands (25)	157.11	+0.3	161.31	118.58	132.98	131.37	+0.0	4.23	156.67	160.47	118.50	131.36	168.70	147.88	149.85					
New Zealand (13)	45.38	-1.6	46.59	34.25	38.41	48.68	-1.8	4.68	46.19	47.31	34.93	39.18	47.56	48.52	37.38	45.24				
Norway (22)	140.86	-1.4	144.94	106.33	119.24	122.32	-0.6	1.85	142.92	146.98	106.10	121.23	134.97	182.85	128.06	184.33				
Singapore (38)	218.80	-1.4	224.85	165.14	185.19	185.06	-0.8	1.89	218.77	225.09	166.22	186.41	186.40	235.60	181.26	232.57				
South Africa (50)	165.64	-1.8	170.07	125.01	140.19	167.99	-0.8	3.01	168.60	172.59	127.51	143.01	164.06	203.61	154.21	232.57				
Spain (47)	125.47	-1.2	128.82	94.70	108.19	111.54	-0.7	4.55	126.94	130.02	96.01	107.67	112.32	120.26	149.85	173.26				
Sweden (36)	161.82	-1.2	166.12	124.12	136.97	178.41	-1.1	2.23	163.75	167.71	124.63	138.69	160.41	200.49	156.59	172.26				
Switzerland (56)	112.32	-0.8	115.32	84.78	95.08	104.89	-0.9	2.04	113.18	115.92	85.80	96.01	105.70	122.31	96.99	117.26				
United Kingdom (226)	164.00	-0.2	168.39	137.77	138.80	168.39	+0.1	4.36	164.28	168.28	124.24	138.33	168.26	200.07	161.86	176.27				
USA (522)	115.86	-0.2	161.50	133.40	149.71	176.68	-0.2	2.85	117.22	161.51	134.04	150.32	177.22	183.74	168.54	186.58				
Europe (170)	136.82	-0.1	140.27	103.12	115.84	129.00	-0.1	3.63	136.79	140.10	103.46	116.03	129.13	156.88	137.31	143.34				
Nordic (114)	49.92	-0.2	50.91	38.57	42.18	50.92	-0.2	2.00	49.54	50.92	38.57	42.18	50.92	50.92	38.57	42.18				
Pacific Basin (719)	113.87	+0.3	116.91	95.85	96.38	96.37	+0.1	2.20	115.45	115.52	95.85	96.38	96.37	108.52	94.26	113.34				
Asia-Pacific (1458)	123.06	-0.1	126.35	82.97	104.19	104.45	+0.0	2.36	124.92	125.92	82.97	104.19	104.45	141.97	90.73	179.49				
North America (533)	173.22	-0.2	177.89	130.75	146.64	172.19	-0.2	2.88	173.65	177.16	130.75	147.23	172.49	173.96	113.02	129.33				
Europe Ex UK (244)	115.86	-0.2	161.50	133.40	149.71	176.68	-0.2	2.85	117.22	161.51	134.04	150.32	177.22	183.74	168.54	186.58				
Pacific Ex Japan (234)	164.75	-0.1	169.15	124.38	138.45	164.75	-0.2	3.13	116.43	122.32	90.34	101.32	107.31	129.58	111.31	135.31				
North America Ex US (168)	123.20	-0.2	126.35	82.97	104.19	104.45	+0.0	2.36	124.92	125.92	82.97	104.19	104.45	141.97	90.73	179.49				
World Ex US (1982)	138.90	-0.2	142.51	104.77	117.49	124.18	-0.1	2.39	138.68	142.23	105.03	117.80	124.85	146.91	115.99	132.01				
World Ex US (1982)	138.90	-0.2	142.51	104.77	117.49	124.18	-0.1	2.39	138.68	142.23	105.03	117.80	124.85	146.91	115.99	132.01				
World Ex US (1982)	138.90	-0.2	142.51	104.77	117.49	124.18	-0.1	2.39	138.68	142.23	105.03	117.80	124.85	146.91	115.99	132.01				
World Ex Japan (1738)	159.43	-0.3	162.74	106.39	119.50	127.70	-0.1	2.58	141.41	144.01	106.39	119.50	127.70	165.01	130.04	150.74				
World Ex Japan (1738)	159.43	-0.3	162.74	106.39	119.50	127.70	-0.1	2.58	141.41	144.01	106.39	119.50	127.70	165.01	130.04	150.74				
The World Index (7208)	144.43	-0.2	144.30	102.49	105.96	125.85	-0.2	3.14	145.75	146.62	102.83	135.52	155.21	165.00	151.93	157.94				

RHONE-ALPES

Friday February 19 1993

Raymond Barre wants Lyon to be the home of the proposed EC central bank: Page three

Beaujolais prices now stand well below some growers' production costs: Page four

SECTION IV

Rhône-Alpes has the largest economy and population outside Ile de France. The region now runs its own local affairs — and looks likely to influence the shape of national government after the March elections. William Dawkins reports

Resilient stronghold

IF FRANCE'S opposition right wing wins next month's parliamentary election, which is likely, Rhône-Alpes will be one of the main victors.

The economically biggest and most populous French region outside Paris is a traditional conservative power base. So it will probably be the most important provincial influence on French national politics during the next government. Over the past few years it has provided firm ground on which half a dozen ambitious young opposition politicians have built political bases, some hotly tipped to take ministerial jobs in the new government. This can only increase Rhône-Alpes' already weighty influence in the Paris bureaucracy, a valuable asset in a country where much economic power remains concentrated in the capital, despite the decentralisation of the past decade.

Local political heavyweights tipped for a national cabinet seat in the spring include Mr Charles Millon, chairman of the regional council and national parliamentary whip for the centre right UDF party; Mr Bernard Bosson, centrist CDS mayor of Annecy; Mr Michel Bernier, the RPR Gaullist president of the Savoie general council and organiser of last year's winter Olympics; and Mr Alain Carignon, the RPR mayor of Grenoble. Mr

Bosson and Mr Carignon had ministerial jobs in the 1986-1988 conservative government.

Rising above the fray is the distinguished head of Mr Raymond Barre, former prime minister of France and a centrist member of parliament for the Rhône, who is spoken of as a possible (though outside) runner for the Matignon again.

The young reformers have become candidates for ministerial jobs because they have used decentralisation (which has mainly increased the power of town mayors by granting them authority to give or withhold planning permission) to shape the region and demonstrate their skills in the art of government.

"At national level, the political class is being devalued in public opinion. But good mayors are still respected, except those who have made mistakes," explains Mr Jean Régis, one of Mr Bosson's colleagues on Annecy town council. Of course, local politics in Rhône-Alpes is not an automatic track to stardom. Take Mr Michel Noir, the dynamic mayor of Lyon, the regional capital which is the economic and political lynchpin of Rhône-Alpes. Only a few years ago he looked ready for great things — perhaps as a rival to Mr Jacques Chirac for leadership of the RPR.

Mr Noir remains respected

for the amount of investment he has marshalled to update Lyon's crowded roads and to beautify further this ancient city. Yet, his ambitions have taken a knock with his misjudged decision, in 1990, to give up his RPR parliamentary seat in disgust at internal hickering among the leadership, hoping to form a right wing union of young reformist-minded people like himself. In the event, only two other MPs followed his example and the idea has quietly sunk.

Mr Noir's national image took another battering when his son-in-law and former election campaign manager, Mr Pierre Botton, was jailed last November for alleged misuse of public funds. The latest twist to Lyon's city politics came last month when the RPR placed Mr Alain Mérieux, one of its rising stars in the region, as parliamentary candidate in the same constituency as Mr Noir — re-elected since as an independent.

The RPR's choice of Mr Mérieux was significant. He is a vice president of the regional council, an important businessman (he is head of the Institut Mérieux pharmaceuticals group) and a member of the old bourgeoisie which runs Lyon behind the scenes. "The Parisians have decided against the will of the Lyonnais to organise the division of the national opposition," complained an angry Mr Noir.

Rhône-Alpes' political importance is also a reflection of the size and vitality of its economy — dimmed by the economic downturn. "For a while we were sheltered from economic difficulties because of the strength of our economy. But when the crisis did finally hit, it hit us harder than other regions," says Mr Yves Minsieux, regional director of Lyonnaise de Banque.

Of course, damage from the recession has been unevenly spread as might be expected from a region as big as Rhône-Alpes. Its 5.3m inhabitants represent just under a tenth of the French population; it covers 8 per cent of the nation's land mass and produces a tenth of France's gross domestic product. It is geographically



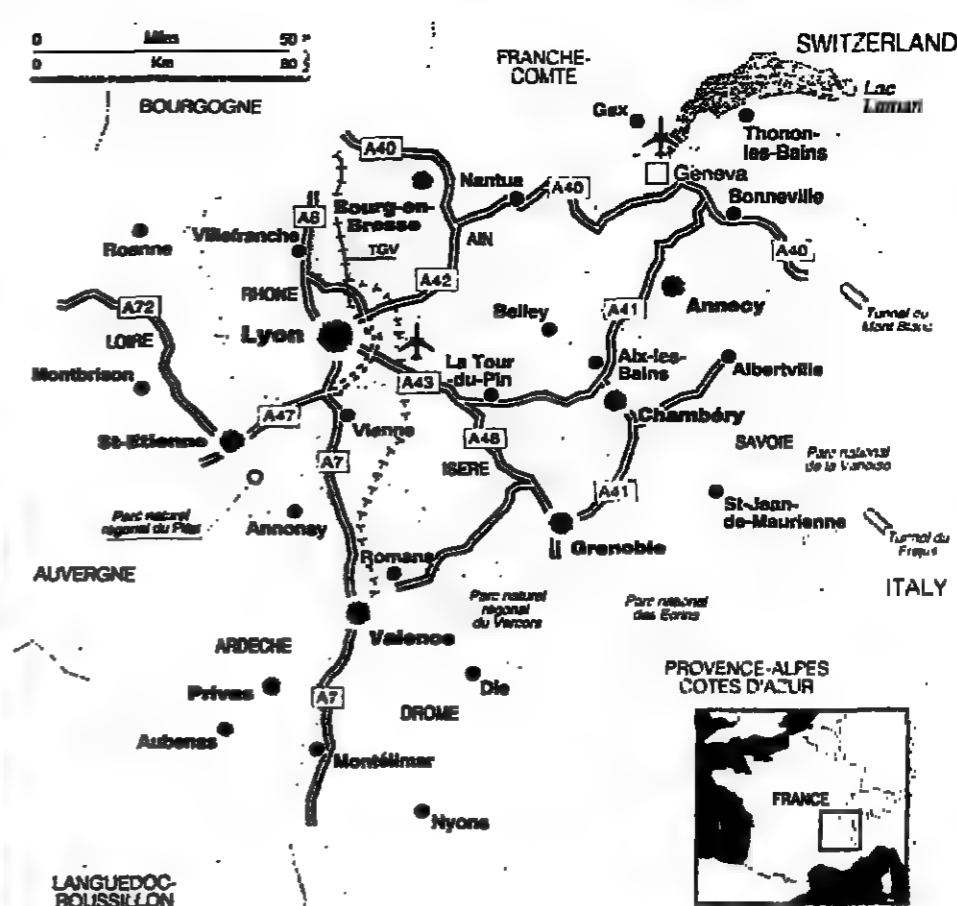
Lyon, the regional capital: "economic and political lynchpin"

diverse, from the high snowfields of the French Alps to the fertile wine-producing hills around the Rhône and the arid scrub of the Drôme.

Economically Rhône-Alpes presents no less striking contrasts: traditional chemicals, engineering and automotive industries around Lyon, which have been hardest hit in the slowdown; light industries around the old coal steel and

textile town of St Etienne, which appear more confident than businesses around the regional capital; and a thriving community of high technology companies around the town of Grenoble.

Some economic commentators liken Rhône-Alpes to a small country such as Switzerland or Belgium. A more exact comparison could be made with other important European



regions such as Piedmont in northern Italy, Hesse in Germany or Catalonia in northern Spain. Rhône-Alpes has intimate political and business links with all three — and this highlights another of its important qualities: the pro-European consensus among the regional leadership. It is no accident that, when the rest of France hesitated over the prospect of European political and monetary union, Rhône-Alpes produced nearly 55 per cent in yes-votes in last September's referendum.

The region is a pro-European island on the map of French referendum results, surrounded by no-votes from Provence-Alpes-Côte d'Azur in the south, Auvergne to the west and Burgundy to the north. To complete the picture, Switzerland is on its north-eastern

frontier. Some local planners expect last year's Swiss vote against closer European integration to trigger a migration of Swiss-based companies into the Hauts Savoie.

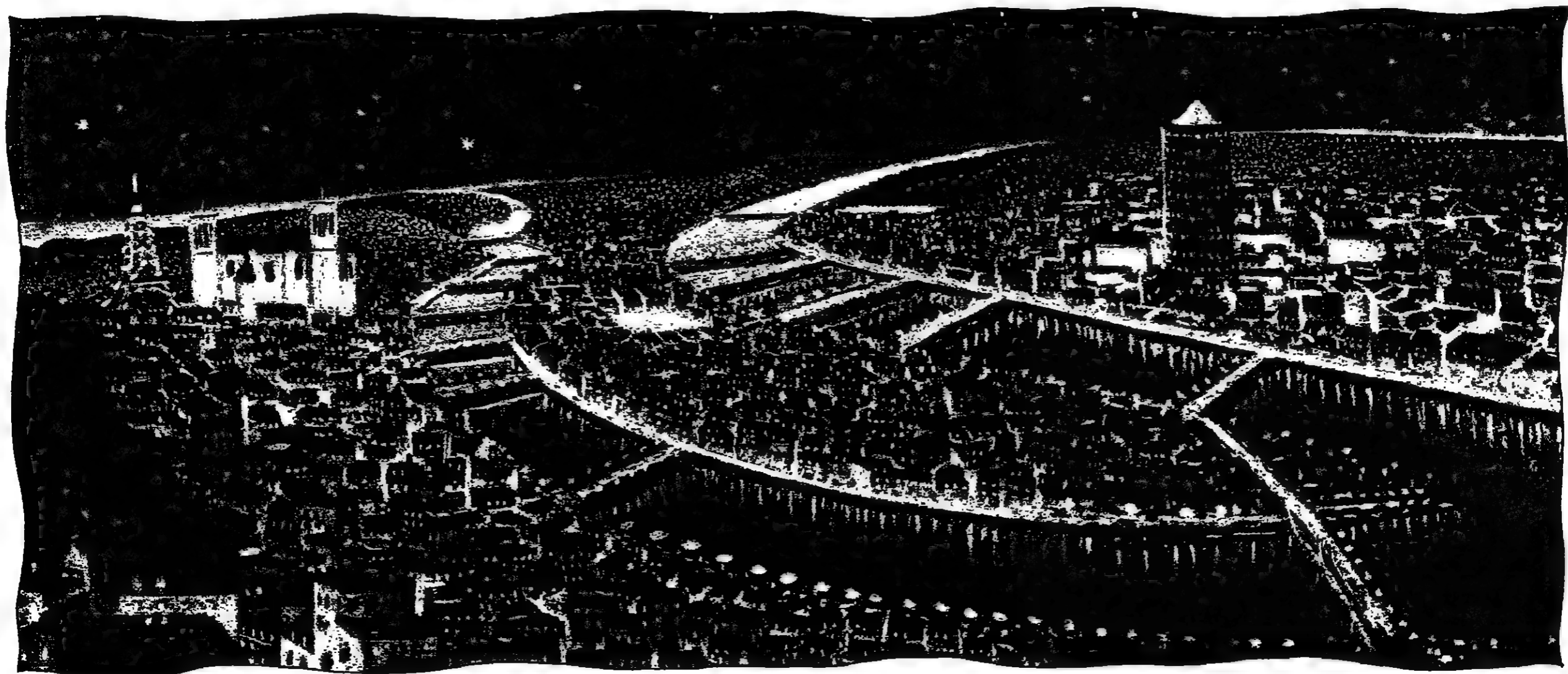
Lyon has played on its European credentials, as well as on its high quality of life, to support its campaign (led by the tireless and persuasive Mr Barre) to become the headquarters of the European central bank. The uncertainties facing European monetary union have not diminished the city's determination. "If we didn't believe in the Euro-bank, we would not make the effort."

That resilience translates into an ability to continue attracting prestige foreign investments to the region at a time when the international recession has caused overall foreign investment in France

to decline. Last year Rhône-Alpes overtook Ile de France for the first time in terms of the number of jobs created by foreign investors — although it still lagged behind heavily subsidised Lorraine, in north-eastern France. It has a slightly higher economic growth than the French average and, according to a recent study by the Economist Intelligence Unit, it will grow 20 per cent faster than France as a whole over the five years to 1995.

Rhône-Alpes' high profile newcomers include Bank Xerox's new European research laboratory in Grenoble, and Euronews, the new satellite news channel. A satisfied Mr Maury claims: "If they come here, it's not because of aid, because we don't offer very much. It's because we are attractive."

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LYON

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RHONE-ALPES 2

David Buchan assesses the region's industrial prospects

Slow-down takes effect

ECONOMIC slowdown generally comes late to the Rhône-Alpes, because the region has so many successful industrial firms, with diversified products and markets. But come it has, says Mr Etienne Subra, regional director of the Banque de France. Unemployment rose by 10 per cent during 1992. Mr Subra dates the downturn to last May-June, after domestic demand began to fall but before defence of the franc pushed real interest rates still higher. Again, the fall-off in export orders from Germany, Italy, the UK and Spain began before the currencies of the latter three countries depreciated against the franc in September. The depressing effect on the region's industry has been

widespread, though Mr Subra reports that the food, glass-making, pharmacy and some parts of the textile sectors held up well through 1992, and says the improvement in the US economy is leading to more orders for the region's chemicals, capital equipment and aeronautics exports. The one real black spot, as elsewhere, is the property market. This is "very bad," says Mr Subra; Lyon now harbours 18 months' worth of unsold or unlet office space and 2 years'

worth of residential real estate. Part of the rise in the region's unemployment (threatening, for the first time, qualified middle management on permanent payroll), is attributable to company managers' fast reaction. "It is not that the bosses are turning to redundancies as a first resort when orders start to fall," says Mr Subra. "It is just that they are much quicker to run through the whole gamut of austerity measures - reining in general costs, cutting down on stocks

and inventories and, lastly, making redundancies - than they used to be." The financial as distinct from the human consequences of this more active management style is the greater soundness of Rhône-Alpes companies; by the end of 1991 they had reduced their total debt to the level of their own funds and equity. Over the longer term Rhône-Alpes can count on the natural advantages of its central location to attract investment, domestic and foreign. Mr Jean Chemain, director of the Lyon chamber of commerce, believes that Switzerland's obtuse rejection in December of the European Economic Area (EEA) treaty can only benefit Rhône-Alpes, as Swiss companies move investment westward to give themselves a base within the EC single market.

Mr Philippe Brossette, marketing director of Renault VI, the car group's truck-making arm, lists Lyon's advantages, which include good road and rail (TGV) links and direct flights to most European capitals (four times daily to London). These are just the sort of geographical merits which have made Mr Michel Coste, head of Lyon's Institute for the

EC, a persistent champion of the city for the suggested European central bank. Mr Coste notes with delight that, against an EC majority preference for locating it in Bonn, the UK presidency touted Lyon at the EC summit at Edinburgh. But it is history, rather than geography, which has attracted to the region the two biggest employers: Renault VI and Rhône-Poulenc.

Renault VI was formed out of the 1978 merger between Renault's (smaller) truck subsidiary Saviem and the (larger) independent Berliet company. The merged company made its headquarters round the Berliet operation in Lyon; far more extensive than Saviem's assets, and bringing with it 600 hectares of prime industrial land in the adjacent Lyon suburb of St Priest and Vénissieux. (Renault still grows maize on some of this land - until such time as its factories expand further.) Lyon is also the home of many of Renault's best clients, such as the trucking firm of Mr Norbert Dentreangle who, since he made his start taking apples to the UK, has built up a fleet of 2,400 vehicles. Today Renault VI - part-owned by Volvo - is third in Europe and the world. In 1991 it churned out 58,638 trucks in

KEY FACTS	
POPULATION (thousands)	
Lyon	1,262.2
Grenoble	404.7
Saint Etienne	313.3
EMPLOYMENT (regional percentage)	
Lyon	27.8
Grenoble	8.9
Saint Etienne	5.8
LEADING INDUSTRIES (number of employees)	
Renault VI Vénissieux	5,300
SNR roulements	3,000
GIAT Industries Roanne (armaments)	2,500
Sextant avionique	2,200
Rhône-Poulenc	2,000
Renault VI Annonay	1,800
Téfal	1,800
Caterpillar France	1,600
Rhône-Poulenc Roussillon	1,500
Howett Packard France	1,400
CIAPEN (domestic equipment)	1,400
GIAT Industries Saint Etienne	1,400
COGEMA (nuclear materials)	1,300

Source: INSEE

Europe and, through its wholly-owned Mack subsidiary, 13,229 in the US. For several years Renault VI's European market was better than the US one (the two almost cancelled each other out in the 1991 after-tax profits, which showed a FFrs 23m profit). Now the new world is being asked to redress imbalance in the old world. "But the problem is that the European market is getting worse - truck output in France falling from 58,000 in 1990 to 35,000 last year - faster than the US market is getting better."

Renault VI is now demanding of its suppliers something of the same specialisation it

has forced on itself. Just as each Renault factory in the Rhône-Alpes region focuses on a single activity - truck assembly (above 18 tonnes) at Bourg-en-Bresse, gearboxes in St Etienne-Bouthéon, motors at St Priest/Vénissieux, bus assembly at Annonay - so it is asking its suppliers to concentrate more on its needs. Its aim is to reduce by two thirds its existing 1,500 subcontractors, which range from Bosh in Germany, to Lucas-Girling disk brakes in the UK to a host of smaller suppliers in the Rhône-Alpes region. Part of this reduction is to have a closer, Japanese-style partnership with a larger and

more capable brand of subcontractor. By contrast, Rhône-Poulenc, the region's top employer, has scattered 16,500 local employees across Rhône-Alpes in 16 factories, 14 technical and commercial centres and six research units.

Chemicals have become something of a Rhône-Alpes speciality, with Elf-Aquitaine, Atocem, Lafarge Coppe, Roussel-Uclaf and ICI all attracted by abundant water, energy and opportunity to trade basic chemicals among each other.

Inevitably, Rhône-Poulenc has come under local pressure to clean up its local act. "We don't deny the necessity of doing this," says Mr Xavier Patrouillard, the chemical group's Rhône-Alpes co-ordinator, "but we do sometimes contest the deadlines by which we are forced to make urgent investments at very high prices, leaving less money for other projects. The Rhône may be cleaner, but there is perhaps more unemployment." He concedes that Rhône-Poulenc has an image to redress. "Twenty years ago, if you worked for Rhône-Poulenc, people thought that was fantastic. No longer." But Mr Patrouillard believes the times may be changing. One reason for this is the economic climate, creating greater awareness of the opportunity costs of channelling very large amounts of money into the environment. Another reason is that the Lyonnais now know "that their city pollutes the Rhône more than we do".

St Etienne expects to ride out hard times

Self help shines out

FROM THE air St Etienne looks like one big industrial site. The stephanols ("Etienne" is French for "Stephen") are proud of that: even their vaunted museum of modern art has been deliberately made to look like a factory. All those shining new pieces you see on St Etienne's industrial checkerboard are not what the first-time visitor expects to see. In the 1980s-1990s St Etienne was synonymous with industrial decline. It is still the object of eye-rolling, cosmopolitan derision from the nearby citizens of Lyon. Yet most stephanols seem much more confident than the Lyonnais about their city's ability to weather today's economic hard times.

Mr Bruno Roux, the city's economic development director, says this relative buoyancy stems from "the feeling that as we have suffered a good half dozen crises since the 1960s and come through, we will do so again". St Etienne lost 30,000 jobs when the mines closed, 25,000 jobs when the steel mills shut down, and 15,000 when its mainstream textile sector declined. Overall, the city lost some 80,000 traditional manufacturing jobs. But it has replaced all but about 30,000 of these by means of a very active industrial policy which has successfully encouraged a larger number of smaller companies to diversify. At 11 per cent, the city's unemployment rate is over France's 10.4 per cent national average, but the gap is tiny compared to the five point spread that existed in the mid-1980s. Although nearly one in every three employed stephanols works in industry, the city feels better able to ride out the present austerity. "We do not even really have a property crisis like other cities do in the office sector, because we don't have offices," Mr François Dubanchet, the bulky Christian Democrat mayor, says with almost blue-collar pride. But the city's drive to re-industrialise itself has been an expensive gamble. It has spent FFrs 1.5bn, with

only about a third coming in national/EC aid from Paris and Brussels. Because French cities are forbidden (probably rightly) to subsidise companies directly, St Etienne has worked mainly through real estate. Much of its FFrs 2.8bn debt comes from re-converting old industrial properties, and selling or renting them cheaply to new companies wanting to expand, sometimes even before having any idea of who might occupy the new buildings. On its "Technopole" site, it has also made available low-rent offices for up to two years to companies just starting up. The mayor and his officials are convinced that their gamble has paid off. Mr Dubanchet says St Etienne's financial problems have more to do with

The last two years have seen a small flood of new Italian investment.

some 500 functionalities unnecessarily hired by his communist predecessor. He adds that the city's municipal aid (which can include temporary exemption from the *taxe professionnelle* payroll tax) are now selected with greater care. But he says that only 2-3 per cent of the 400 companies which have received public aid have, in one way or another, failed. One windfall has come from the south. Some Italian companies, such as Ratti, which prints on silk, have long been present in the city. But the last two years have seen a small flood of new Italian investment. This includes Sicma, which makes office partitions and cupboards, Molemb, which makes abrasives, and Viero, which manufactures silk weaving machines. These investments account for one third of all Italian industrial investment in France during this period (excluding Mafia investment in the Côte d'Azur). Most of the reasons given for moving north arise more from frustration at home than the lure of St Etienne itself, says Mr Roux. Such frustrations

include higher wage and electricity costs in northern Italy, environmental constraints on building new plants in crowded Lombardy and Piedmont, and complaints about tax money disappearing into the Messinogian maw. But no one in St Etienne is complaining about this new Italian emigration. St Etienne is also trying to give its annual commercial fair more of an international flavour, says Mr André Loequet, its director (who also heads GST Alcatel, an exporter of telecommunications equipment from St Etienne to, for example, France). Besides inviting companies just starting up, the fair in the UK or Huppertal in Germany to participate, the fair organisers now plan regular exhibitions from neighbouring European countries, to dilute what is otherwise a purely national, not to say, regional event each September. Most of St Etienne's diversification is home-grown. Some traditional activities have returned; Roule has moved all its ribbon-making and embroidery business back from Paris. And gun-making continues - though on a more artisan scale than bankrupt Manufacture, whose Faurlat site is now being redeveloped into a multi-purpose civic centre.

But luring top class management from Paris to St Etienne is a problem for a company such as Casino, France's second biggest retailer, with a FFrs 60bn turnover. It has outgrown its stephanols origins. Mr Antoine Guichard, grandson of its founder, the current president, makes no bones about the impossibility of running from St Etienne an international company with holdings in the US and a growing alliance with Argyl in the UK and Ahold in Holland. "All board meetings take place in Paris, and we have to run two corporate jets, which cost a lot." What about the TGV train? "Only taken it once, when there was an air controllers' strike," Mr Guichard replies dismissively. Casino's boss is far from being St Etienne's Citizen Kane, but there is a certain imbalance of power between the company and the city. Casino is chief sponsor of St Etienne's art museum, theatre, and football team (whose "Geoffroy Guichard" stadium will host one of the 1998 World Cup games). But only 2,000 of Casino's 58,000 employees work in St Etienne. One false move - perhaps one tax increase too many - could prompt the giant retailer to shift its headquarters elsewhere.

D.B.

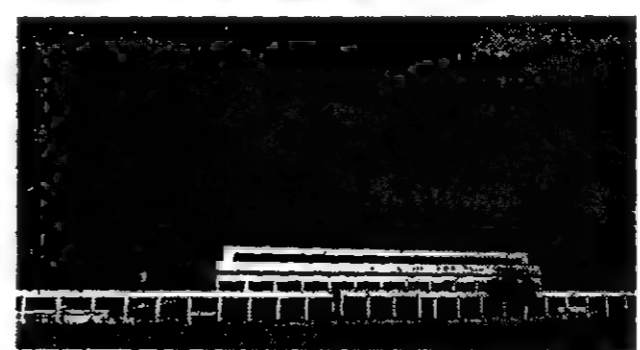
William Dawkins takes a close look at three important industries in the region

A FUTURISTIC blue steel and glass building, glittering at the foot of the snow-capped peaks that ring the Grésivaudan valley near Grenoble, is the latest site for the flagship of the French and Italian semiconductor industries.

SGS-Thomson, the microchip maker jointly owned by French and Italian state interests, will start production in the spring. Its 570,000 sqm plant is one of the world's most modern semiconductor facilities and one of the most important high technology projects the Rhône-Alpes region has ever hosted. As a consumer of power and services it will have a significant impact on the local economy.

It was Grenoble city hall's fierce lobbying which contributed, first, to the merger of France's and Italy's state-owned computer groups in 1987, and then to the merged company's decision to choose a flagship site near Grenoble - rather than the group's Italian headquarters near Milan.

The plant, near the village of Croz, costs \$100,000 a day to run. "With overheads like that, we cannot afford to run idle, so the existence of potential equipment suppliers in the region has been important to us," explains Mike Thompson, director of the centre. Some suppliers have set up in Grenoble, or expanded there



SGS-Thomson's futuristic semiconductor plant near Grenoble

Risky flagship

specifically to sell to SGS-Thomson - such as Lam Research and Applied Materials, two US semiconductor equipment suppliers, and Metron, a UK distributor of semiconductor equipment; examples of how existing high technology projects have acted as a magnet to new investment.

SGS-Thomson itself is not a significant employer: 184 staff are expected to be in post by the end of this year. Fifty more will come from France Télécom, whose research division contributed half the \$200m start-up cost, and a further 30 from Philips, the Dutch electronics group which is a

research partner of SGS-Thomson.

However, SGS-Thomson's presence is expected to attract other international technology projects - which is why the local economic development body, Alpes-Grésivaudan Développement, has kept a neighbouring industrial site empty, says Marie-Claude Dupuy, the organisation's secretary general. Grenoble has all the more reason to thank its lucky stars that this prestige project has come off: until recently SGS-Thomson's very future was uncertain; Grenoble could have ended up with a white elephant rather than an elec-

tronic flagship on its doorstep. SGS-Thomson was \$102m in the red in 1991, the latest in a string of heavy losses caused by the huge investment demands needed to keep pace with technology at a time of intense price competition from the US and Japan.

The Italian government, in the face of French persuasion, hesitated for many months over pumping badly needed fresh capital into the group. Late last year it changed its mind, paying the way for a \$1bn capital increase from both governments. The first \$500m is expected to be disbursed in the next few months.

The Italian administration was probably encouraged by evidence of recovery in SGS-Thomson's fortunes. The group managed a \$8m profit increase last year (on sales up 12 per cent - well ahead of the 9 per cent growth in its markets) to \$1.6bn, officials say. It is too early to say whether SGS-Thomson has completely turned the corner in its high-risk industry, but the white suited technicians paddling around the Croz clean rooms assume they are there to stay. Evan Mr Thompson, a Scot who used to work at Immos, the Scottish semiconductor maker taken over by SGS-Thomson, has started to learn French.

scheme. This is well above the average occupancy rate for office property in Grenoble, says Mr Christian Abel, who is the deputy managing director for the Europe project.

The decline in demand for property, however, has brought one potential cloud to Europe's horizon. No firm tenants have yet been found for a 13,000 square metre office block, part of the project which is due for completion in September of this year. "For the moment, Europe has escaped the property crisis. But we are worried because our potential clients are worried," admits Mr Abel.

Snowball rolls on

RANK XEROX has just announced that it has chosen Grenoble for its European research centre, to open in the second half of this year. "It has all the elements we are looking for, with its university, research centres, computer industry and small dynamic companies," says Mr Hervé Gallaire, the group's European research director. Mr Dominique Strass-Kahn, the French industry minister, greeted the move as an example of "the snowball effect" which has been created by the presence of Grenoble's multitude of laboratories and research bodies.

Rank Xerox plans to employ 180 researchers on an annual budget of \$50m by the time the centre is up to full steam, towards 1996. Grenoble won the Rank Xerox investment in competition against rival offers from Italy, Spain, and Germany - and southern France, from the Sophia Antipolis high tech business park near Nice.

The French government and local authorities will cover about 10 per cent of the initial investment during the first two years, in line with aid available from the rival sites. However, the deciding factor was Grenoble's pool of skilled research workers - including the fact that it produces 50 per cent of all French PhD students in information technology.

The centre will study automatic translation and assisted translation of computer documents. The aim is to design products to reduce the 8 per cent of total spending that the average company spends on creating and handling documents, says Mr Gallaire. The group also hopes to pass development contracts to some high technology companies grouped around Grenoble.

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Lyon is an important banking centre, writes William Dawkins

Profits under pressure

PARIS BANKS are feeling the squeeze in Rhône-Alpes as the economic slowdown takes full effect in what is one of France's most competitive regional banking industries.

"Until the end of 1991, we and many of our business customers thought Rhône-Alpes would escape the crisis," says Mr Philippe Barrière, director of Banque Nationale de Paris' network in Rhône-Alpes, Bourgogne and Auvergne.

"Companies continued to invest and seek external growth and we contributed to this by lending to them. Now they are left with overcapacity. We were hit later than the rest of France, but we were hit hard. The more economic vitality you have the harder you are hit," he says.

Growth in both lending and deposits has slowed. Loans outstanding by French banks in the region grew by a mere 0.7 per cent to FF303bn in the year to last September - a small fraction of the 14 per cent growth achieved in 1990, a

year before the slowdown hit. The Banque de France says that the total of deposits at the region's banks rose a mere 2 per cent to FF310bn in the 12 months to September 1992.

Like their Parisian counterparts, Lyon's banks are also burdened by troubled loans on city property. They made some heavy (but unpublished) provisions on these, says Mr Bernard Rivier, deputy director general of the Banque de France's Lyon office. Demand for office property in Lyon fell by 25 per cent last year, while prices have fallen by up to 20 per cent for old buildings, 10 per cent for new ones, according to a recent study by Bourdais, the property consultants. "All the banks have property investments. They have seen some difficulties, but they have been

Intensity of competition is a boon for private and business customers.

largely provisioned for," says Mr Rivier. So it is no surprise that profit margins across the region's banking industry have been under intense pressure. Most of the leading players can stand the strain because they are owned by powerful national banks. But at least one independent operator has hit trouble. Only last month the Lyon-based development capital group, Société de Développement Régionale du Sud-Est, had to be taken over by Crédit Lyonnais - the state-owned bank which owned 19 per cent of its shares - because of heavy operating losses and bad debts.

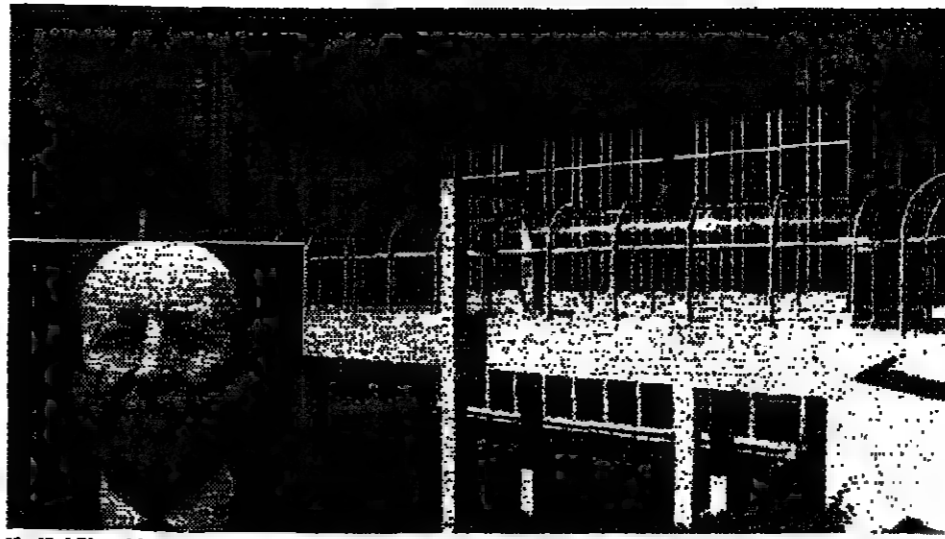
Historically, Lyon's claim to be the region's banking capital dates from the 15th century, when Italian financiers set up shop there after escaping from the Guelph-Ghibelline civil wars of that time. Some are still there - indeed the Italian banking community is growing fast. Today the city hosts most of the 68 banks present in

Rhône-Alpes, of which 23 are foreign, including eight Italians.

While the intensity of competition makes bank managers' lives uncomfortable, it is a boon for both private and business customers. This explains why the region has more bank branches per head than the national average, and why Lyon has six market dealing rooms and the best developed supply of venture capital available outside Paris.

Business loans in Lyon can even be cheaper than would be available in Paris, according to several local bankers. "Because of the very fierce competition, our spreads can be lower in some cases than in Paris," says Mr Yves Minissieux, regional director of Lyonnaise de Banque, France's largest regional bank, which is indirectly owned by the GAN state-owned insurance group. Indeed, the sophistication of Lyon's banking industry is one of the reasons why the city feels confident in its bid to be

headquarters of the European central bank. As in Paris, the main banks are the three big national clearers: Crédit Lyonnais, Banque Nationale de Paris and Société Générale. Beneath them come half a dozen regional banks owned by national ones, of which Lyonnaise de Banque is the leading example. At the next level comes Crédit Agricole du Sud-Est



Mr Joël Picard is deputy managing director at the giant co-operative bank, Crédit Agricole du Sud-Est, whose network of 251 branches has caused complaints that it has unfair access to cheap funds

headquarters of the European central bank.

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(Case), the giant co-operative bank which has taken market share from conventional banks since being given the right to lend to industrial customers (rather than only to farmers) five years ago. Conventional banks complain that Case's huge network - 251 branches in 10 départements - gives it an unfair advantage in access to cheap funds. Case argues that it is competing fairly because its costly structure -

a federation of fully fledged banks with their own semi-autonomous administrations - means that its costs are higher than those of conventional banks.

Then comes the recent wave of Italian banks which have not hesitated to undercut their Rhône-Alpine competition, especially in lending to the construction industry, the Italians' traditional expertise. Lyon has eight Italian banks;

more than half, attracted by the growing cross-frontier trade between Rhône-Alpes and Italy's industrial north, have come in the past seven years. Recent arrivals include Banco Nazionale del Lavoro and Istituto Bancario Sao Paolo di Torino.

Some of their Rhône-Alpes competitors have responded by co-operating, or taking equity stakes in an Italian partner. Case and Lyonnaise de Banque have done so, though the latter has curbed its international investments in recent years.

Mr Joël Picard, deputy managing director at the Case, believes the competitive threat from Italian banks is containable. "So long as Italian banks are coming to the region to accompany Italian companies here, they will have no problem, but I don't think they can do as well as we can on our own market. They have arrived here late, and at a difficult time," he says.

Overall, according to Mr Rivier, of the Banque de France, the picture is of a strong banking industry, with high quality management, well able to ride out the economic downturn. "So long as the crisis does not go on too long, I do not foresee any major problems," he says.

A former prime minister of France leads a crusade

Archetypal Lyonnais

THE PORTLY Mr Raymond Barre, the voluble 68-year-old economics professor who has been an MP for Lyon for the past 15 years and is a former prime minister of France, is on a crusade.

He is leading the campaign for the former capital of Roman Gaul to be chosen as the site for the future European Central Bank.

Mr Barre is a tireless ambassador, arguing the city's cause in London, Brussels and even in front of an audience of sceptical and suspicious German bankers in Frankfurt, seat of the German Bundesbank and the most heavyweight rival for the honour. The final decision

is likely to be made by European Community governments, some time after the final ratification of the Maastricht treaty on European political and monetary union, possible in the second half of this year, Mr Barre believes.

Thanks to his efforts, Lyon has waged a much more visible campaign for the honour than other candidates such as Amsterdam, Edinburgh, Stras-

bourg, Luxembourg - or even Frankfurt itself.

In this, Mr Barre's crusade has the discreet support of the French government, aware that attempts to attract the bank to Strasbourg, the main rival French site, is very unlikely to succeed because of the presence there of the European Parliament.

The egg-headed Mr Barre looks and talks like an archetypal Lyonnais, jovial and

fond of the good things of life. Yet like many French politicians his real roots are well outside his local power base; he was born in the Indian Ocean island of Reunion and he is married to a Hungarian.

"To have the bank here will be good for Lyon, for the internal balance of France and for the balance of power in Europe," he says, taking a

brief rest in his Lyon headquarters during his weekly whistle-stop tour of his inner city constituency. "Whether we succeed or fail, there will be an advantage in it for Lyon because it will be better known internationally."

Lyon's natural claim, he says, rests on its 500-year history as a banking centre, good road, rail and air links to northern Italy and Spain and western Germany, and its position at the geographical and cultural divide between north and south Europe.

He points to other international bodies which have chosen Lyon for their base for similar reasons - Interpol, the international police organisation, and Euronews, the European television news service which, symbolically, started broadcasting from Lyon at the dawn of the single European market on January 1, 1993.



Raymond Barre: "I am a great partisan of decentralisation"

But why should Lyon have a claim rather than Paris? "I have long been preoccupied by the concentration of activity in Paris. Other cities now need to become, if not as an important centre of activity as Paris, at least a balance. Lyon is, after all, the capital of the French provinces," says Mr Barre - quoting Albert Thibaudet, the early 20th century literary critic.

He uses a similar argument to justify Lyon's claim for the

bank against other non-French candidates. "All the centres of EC decision-making tend to be concentrated in northern Europe. Since the enlargement of the EC to include Spain and Portugal - economies with great potential - the south has acquired a new impor-

tance. Lyon is exactly between north and south, and belongs to both at the same time," he says. Its close political and business links with Barcelona, Milan and the powerful German region of Baden-Württemberg reinforce this claim.

Mr Barre is far too decent a man to knock the competition, but he argues, nevertheless, that Lyon has important advantages over rival sites. Frankfurt, home to the Bundesbank, poses an obvious political problem; there would be a concentration of monetary power in German hands. Apart from that, Mr Barre sees Amsterdam as the weakest competitor, because of its banking industry and agreeable quality of life.

However, the Dutch city suffers from the disadvantage of a northern position, which runs against the claim that the

Euro-bank site should be at the centre of gravity of the EC's political map.

Some would say that Lyon's campaign is a long shot, given the uncertainty hanging over monetary union - and, therefore, the need for a European central bank in the wake of the recent upheavals in the European Monetary System. Mr Barre is undismayed. He is among those who believe it quite possible that seven or eight European countries - Germany, Benelux, France, Spain and Italy - may switch to a single European currency towards the end of the decade, leaving the rest to join the core of the new system later.

Whether Mr Barre's campaign succeeds or fails, it does underline a change in French attitudes - the slight shift of power from Paris to the provinces over the past 10 years. "I am a great partisan of decentralisation," says Mr Barre. "But it is not enough to create regions with powers when so much of the administration remains concentrated in Paris."

W.D.

Grenoble buzzes with technology research

Innovating is a tradition

GRENOBLE'S post-war transformation from obscure little French industrial town to France's biggest technology research centre outside Paris is part accident, part industrial planning by an active local government.

Its high-tech image was ruffled a few weeks ago with the publication of a parliamentary report claiming that Grenoble might be unwitting host to a Mafia network. This has provoked a firm denial from Mr Alain Carignon, the town's RPR mayor and it promises to be a strong local theme in the run-up to next month's parliamentary elections, in which Mr Carignon is planning a return to national politics.

Underneath the pre-election alarms and excitement, Grenoble has reason to be content with its lot.

At the end of the last war, Grenoble was "a really mediocre, dull little town, even a national joke," explains Mr Joël de Leiris, deputy mayor and university professor. "On average, we have had one new big science establishment coming to Grenoble every 10 years. Today, people tell us we have too many. I can't agree," he adds.

Today, Grenoble and the Isère department of which it is the capital is host to 250 laboratories and 8,500 researchers. It produces economic growth well above the national average and has lower than average unemployment. It is a fertile ground for a number of high prestige European technology projects and electronic

company investments, around which have sprung a vigorous community of small high technology companies.

Isère produced 1,488 new companies in 1990 - the first year of the economic slowdown, when unemployment stood at just 8 per cent against a national norm now two points higher.

Many of the start-up businesses founded by local executives, or spun off from the research departments of Grenoble's four universities, have quickly died. "Too many of them have a product, but nothing else," mourns Mr de Leiris.

'On average, we have had one new big science establishment coming to Grenoble every 10 years. Today, people tell us we have too many. I can't agree'

But others have flourished, such as Cap Gemini Sogedi, founded nearly 20 years ago in Grenoble by Serge Kampf and now Europe's largest computer services company.

On a more modest scale, there are a flock of smaller successful start-ups such as Atral, an alarm systems maker founded nine years ago by two former executives of Merlin Gerin, the local electrical products group. Atral now employs 200 people at Crolles, just outside Grenoble.

This solid base of skilled research workers and innovative companies has acted as a magnet for large technology-

based groups such as the US group Hewlett Packard, which moved its world microcomputer headquarters from California to Grenoble two years ago, at the same time as Sun Microsystems opened its international network computing centre there. The latest arrival is Bank Xerox, the office equipment group.

These newcomers have helped to offset the job losses made over the past few years by Bull and Thomson, the French state-owned computer and electronics groups, which are both active in Grenoble.

The town owes its break

with its industrial past in part to the influence of one or two local decision makers - such as Louis Néel, the Nobel prize-winning physicist who was posted there during the war, and the Merlin family, founders of the Merlin Gerin electrical equipment group.

They were influential in persuading central government to set up the CNRS national centre for scientific research in Grenoble just after the second world war. This was followed, 10 years later, by the CENG nuclear research centre, and joined, in the mid 1960s, by the Laue Langevin Franco-German neutron laboratory.

The latest, scheduled to start operating later this year, is the Synchrotron, the FF2.2bn particle accelerator owned by 12 European countries which is due to open to users next year.

"Here, within a radius of one or two kilometres, you have leading European laboratories in a whole range of disciplines," says Mr Yves Petroff, director general. One of the things which made Grenoble attractive was the city's willingness to pay for road access to the Synchrotron. "Until

recently, Paris never gave money to technology. Grenoble has been doing it for years," says Mr Petroff.

This is where the town's tradition of several decades of active industrial and economic planning comes in. The late Mr Hubert Dubedout, the Socialist mayor for 18 years until 1983 and a former nuclear scientist, was another pioneer who used his local government resources to help put Grenoble on the map.

He was instrumental in attracting the 1968 winter Olympics - and the infrastructure investment that came with it - as well as launching an ambitious urban development programme, including one of the most efficient public transport systems outside Paris.

But perhaps his most important policy was that of encouraging links between scientific research and industry well ahead of other French towns.

Grenoble's showcase in this respect is the awkwardly named ZIRST, a business park which opened in 1978 on the twin principle that tenants must be visited by a scientific committee. In return for this, the finance for their buildings is guaranteed by the departmental council.

The idea came not from Mr Dubedout, but from the mayor of Meylan, a commune just outside Grenoble; it received full backing from the city. ZIRST tenants now include the Cnet, France Télécom's research centre, Merlin Gerin, and Sema, the leading software group.

Mr Dubedout's successor at the town hall, the young Gaullist Mr Alain Carignon, has continued in the same tradition. Under his tenure, the city has funded university chairs normally the domain of central government - merged the area's disparate economic development organisations into a single powerful body, Grenoble Isère Développement.

He also launched the biggest public investment in the city for years: the Europole business centre, next to the railway station (which is now less than three hours from Paris, thanks to the opening of a direct Train à Grande Vitesse (TGV) link last year).

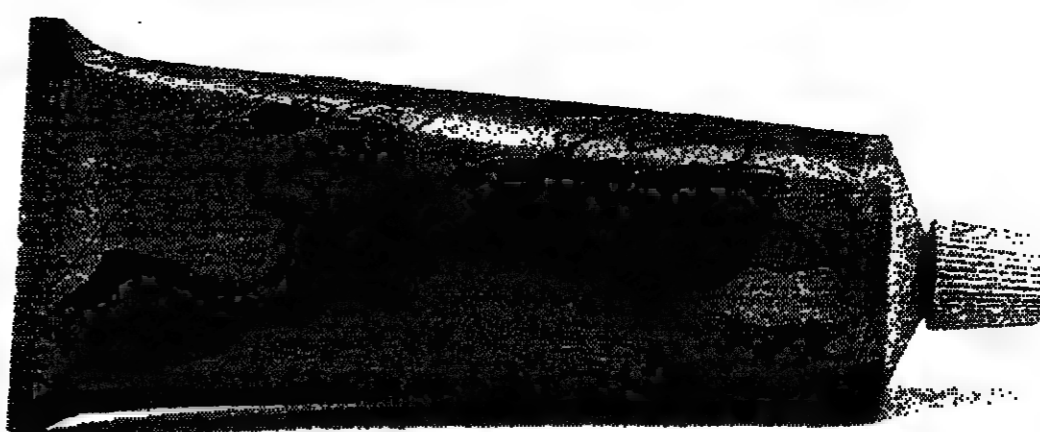
The cost of all this activity has been a sharp increase in the city's debt.

Grenoble's financial problems, however, are mild by comparison with a city like Angoulême, which has had to reschedule its debts.

Mr Carignon's team has trimmed away at Grenoble's borrowings - down to FF1.45bn last year from FF1.7bn three years ago - with a programme of privatisations (a growing trend in French local government) and spending controls. Not for the first time, Grenoble is turning to innovative solutions.

W.D.

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RHONE-ALPES 4

William Dawkins looks for green shoots in the snow

All eyes on the weather

THE GREEN shoots of recovery are beginning to show in the ski industry, a mainstay of the Rhône Alpes economy, but they are still fragile.

There are mixed reasons for this in the region which traditionally attracts 80 per cent of all French winter sports bookings. One is fall-out from the 1992 winter Olympics in the Tarentaise resorts around Albertville. Another is two seasons of better snow following three years of dimly hazy skies. Then there is a recovery in consumer spending in the US - an important market for Salomon and Skis Rossignol, the leading ski equipment makers based near Annecy and Grenoble respectively.

The winter Olympics gave the region's ski industry the biggest shot in the arm since the 1968 Olympic games came to Grenoble. Like most shots in the arm, it caused initial pain to the patient - in the form of a decline in winter sports book-

ings during the games early last year. Holiday skiers were frightened off by the prospect of crowds and traffic jams.

Excellent December snowfalls attracted them back to the slopes in large numbers. Christmas week ski resort bookings were up by 15 per cent, according to the Rhône-Alpes regional council. But much of the snow had melted by late January. The industry fears that mass cancellations for February, usually the peak month, could ruin the season's good start.

"We are finding a new optimism in the market. But our fortunes are more sensitive to changes in the climate than in the economy," says Mr Jean-

Jacques Bompard, secretary general of Skis Rossignol, the world's largest supplier of skis (under its own name and as Dynastar).

New motorways and express rail lines have been built around the Olympic sites. The Olympics also provided some communities with ice rinks and halls surplus to immediate requirements - a financial headache for some, but an improvement in the capacity of the winter tourism industry.

Whether economic recovery proves real or illusory, both the leading ski equipment groups have long come to accept that they live in a mature market. Skis Rossignol, for example, forecasts that

world demand for skis from all producers should rise from 5.9m pairs in 1991-1992 to more than 6m pairs this season, of which more than a quarter will be Rossignol brands. Yet that only brings sales back to the same level as four years ago.

To guarantee long term survival, both groups have followed a similar strategy: trimming operating costs and diversifying into other sports equipment.

Salomon, the larger of the two companies with sales of FF1.5bn last year, was the first to diversify beyond its core business of ski-bindings, in which it is world market leader with a 44 per cent share. In 1994 it bought Taylor Made,

a US golf club maker which has since prospered. Then came an innovative ski model, made of a single shell rather than the conventional sandwich design. Since its launch in 1989, this model has taken at least a fifth of the market for skis priced at FF12,000 and up.

"We could have bought a ski company, but there would have been no point because we would have had to invest in complete retooling for our new design. I am glad we started from scratch," says Mr Jean-François Gautier, the young chief executive brought in two years ago by Mr Georges Salomon, the retiring company founder.

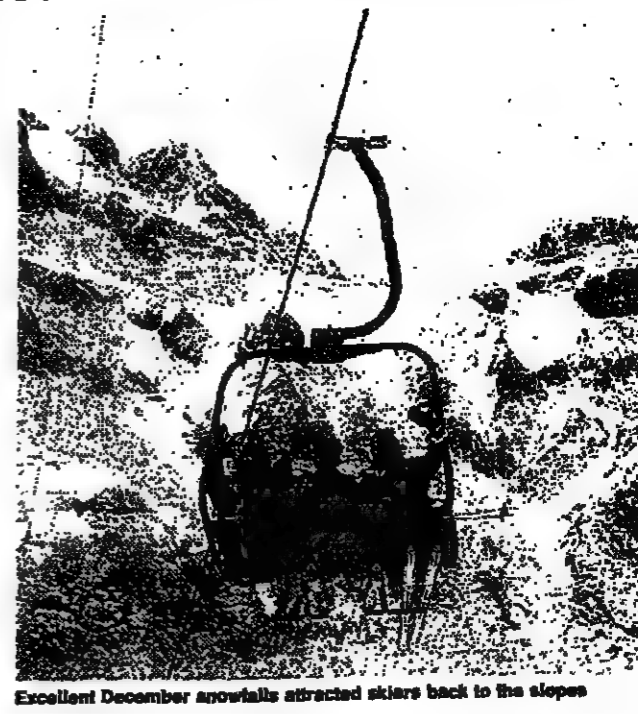
The group had to suffer 380

French job losses two years ago - a serious blow to the small lakeside town of Annecy. Since then, however, it seems to have turned the corner.

Rossignol, which still devotes 84 per cent of turnover to skis, has followed a slightly different diversification strategy. It began in 1977 with the launch of a line of tennis rackets which has since proved a flop. Rossignol stopped production in France last year and has now turned to Asian sub-contractors.

Rossignol's main diversifications outside skis are its two lines of ski boots, its own and Lange, a maker of competition boots it bought in 1989, which now account for nearly a fifth of its sales and 11.5 per cent of the world downhill boot market.

Rossignol's recovery has been weaker than Salomon's, but Mr Bompard is expecting a profit this year. Everything hinges on the weather.



Excellent December snowfalls attracted skiers back to the slopes

A saint's blessing

Wine... and song

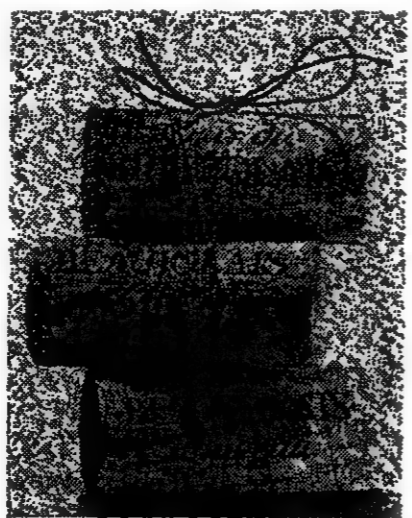
RECESSION has hit the pockets but not the spirits of the 20,000 people who earn their living from making and selling Beaujolais. It is, perhaps, Rhône-Alpes' best known product internationally.

The mood was jovial as the wine growers around Anse, in the south of the area that produces Beaujolais Nouveau, gathered for their annual seven course lunch on St Vincent's day last month, to celebrate the wine industry's patron saint. As full-covered numbered bottles were passed round for a blind pre-lunch tasting, the consensus was that the wine to come on to the market next autumn would be of excellent quality. Riotous singing floated up to the rafters of Anse's Maison Rurale as celebrations wore on through the late afternoon.

Like the rest of the French wine industry, Beaujolais has recently been through hard times.

Wholesale prices fell by an average of 27 per cent last year for Beaujolais Nouveau, the refreshing young wine released world wide every year in the third week of November, which accounts for half the region's production of 170m bottles a year.

Prices now stand at their lowest since the 1960s, and well below some growers'



production costs, says Mr Gérard Canard, director of the Union Interprofessionnelle des Vins du Beaujolais, the local wine industry association.

Price falls have been lower for the higher quality Beaujolais Villages which, unlike the so-called *primier*, can be drunk up to two years after bottling and represents another quarter of Beaujolais output. The highest quality Beaujolais wines, the 10 crus such as Morgon and Brionville, have never been known to sell below cost.

"Prices had risen to unreasonable levels in 1989, so this is no great surprise." Even so, he says, growers of the cheapest Beaujolais Nouveau have experienced "some difficult situations." Fortunately volumes have kept up, with an estimated overall rise in sales of five or 10 per cent last year. Within this, exports rose by 25 per cent in volume - but were static in value - in the first 10 months of 1992.

The Beaujolais industry remains a striking mixture of craft production and international marketing clout. Typically, Beaujolais wine properties are owned by small family businesses, unlike the food and quality goods giants which dominate Bordeaux and Champagne.

Bottling, distribution and marketing is handled by a handful of large wholesale merchants such as Georges Dubouche or Ferrand - a function of the investment required to deliver 80m bottles across the world in the few weeks during which Beaujolais Nouveau is marketed.

This is why merchants handle a much higher proportion of Beaujolais sales - on average 35 per cent, Mr Canard estimates - than they handle in other wine-making regions of France. However, the proportion of direct sales has gradually risen in recent years, as supermarkets and the catering business seek keener prices by cutting out the merchants.

The Beaujolais tradition of releasing at least half the region's production over a period of just a few weeks is partly historical accident, partly marketing technique. In the early years of the century, the so-called Beaujolais *primier* had an even shorter shelf-life than it has now - so Lyon brasserie owners used to order it by the barrel before it had even finished its four to five day fermenting period. When some bar owners started putting up notices proclaiming that the Beaujolais Nouveau had arrived, the wine merchants saw a marketing opportunity.

"The merchants have played a very important role in marketing us," says Mr Canard.

Their ability to keep export sales rising steeply during a world recession indicates that Beaujolais merchants have not lost the knack.

W.D.

'Distilling is the ideal work for monks'

Heavenly spirit



orders. Distilling is the ideal job for them because it demands so little labour," Mr Boyer says. Labour-intensive storage, bottling and sales are left to the lay employees.

The company sells a steady 46 per cent of its output abroad, relying on its natural mystique to attract custom. Spain is the biggest market outside France, taking 25 per cent of exports, followed by the US with 10 per cent.

A recipe for a powerful green health elixir (as with Coca Cola, the recipe is a trade secret) was donated to the Chartreux fathers in 1605 by

Maréchal d'Estrees, the legendary French field marshal. It



took the monks more than 100 years to work out how to make the remedy, 40 per cent volume. Thirty years later, in 1764, the monks produced the milder green liqueur based on the elixir, and this is their main product today.

The elixir itself is still avail-

able. There is a increase in demand for it in Japan - not as a drink, but as a hair tonic, says Mr Boyer. "It might seem odd, but there could be some active herbs in the mixture."

The fathers nearly lost what is now their main source of income when Napoleon seized the recipe in 1810, during a general round-up of all secret remedies which might prove useful to the state. He returned the document a few months later, stamped "refused" - to the fathers' lasting relief.

Chartreuse Diffusion's main customers are supermarkets and the hotel catering business. With un-monastic commercial aggressiveness it has to fight its corner against other drinks brands, Mr Boyer says.

It also has a traditional direct marketing programme in local ski-resorts, where holidaymakers on their first night are offered "Green Chaud," the latest in Chartreuse Diffusion's menu of Chartreuse-based cocktails. "Green Chaud" consists of hot chocolate plus a dash of the liqueur. The idea of this made the fathers laugh, says Mr Boyer, but it has gone down well with skiers.

W.D.

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INTERNATIONAL

PERSONAL AND PORTABLE COMPUTERS

SECTION III

Friday February 19 1993

The computer industry today bears little resemblance to its counterpart of a decade ago. Younger, more agile competitors are moving in the direction of more compact, more flexible and more portable personal computers. Alan Cane reports

Challenge of the notebooks

INSURANCE ASSESSORS inspecting the damage caused by Hurricane Andrew in the southern states of the US last year took part in a novel experiment. They used a hand-held computer which was able to accept handwriting and also to determine its geographic location by reference to a satellite signal - an essential capability with roads and streets damaged or vanished. A linked video camera provided a complete photographic image of the devastation.

The experiment points to the future use of portable computing - and to the way the computer industry is going. Today's computer industry bears little resemblance to its counterpart of a decade ago and rapid change is still the order of the day.

Personal computers and their more powerful cousins, workstations, are the key contributors to the shift which has seen yesterday's industry leaders cast down in favour of younger, more agile competitors, and a decisive swing away from traditional mainframe-based data processing.

The leaders of the new industry include Microsoft, the software company which sells MS/DOS, the most popular operating system. Intel, the semiconductor house which makes the microprocessors used by the majority of PCs, and Novell, which markets the most popular

networking software. It has become a world where the owners of the key technologies have the whip hand. Computer makers are, in a sense, simply distributors of that technology. For the future, therefore, there is a powerful incentive for companies to establish their proprietary technology as an industry standard.

Digital Equipment, for example, a company which missed out on the personal computer revolution the first time round, is trying to establish its Alpha microprocessor, the first commercial 64-bit risc chip, as a standard for power computing. It faces competition from IBM, Hewlett Packard, Sun Microsystems and MIPS.

IBM is still the world leader in personal computer sales, with revenues from its PC business of between \$10bn and \$12bn a year. The European leader is Olivetti of Italy, while NEC has a commanding lead in Japan by virtue of its proprietary design.

Now the personal computer industry is beginning to experience, in its turn, the wind of change as portable computers in a broad range of sizes and designs begin both to make inroads into the desktop market, and to make personal computing available to a new generation of potential customers. About 20 per cent of all personal computers bought today



Spoiled for choice: some of the ever-growing range of personal computers on display at PC World

Photo: Trevor Humphries

are portable, and the proportion is increasing. Consultants Frost & Sullivan estimate total shipments of portable computers in the US last year at 2.3m units, 2.14 of which were notebook machines.

There is little disadvantage now for the individual in opting for a portable computer over a traditional desktop. Portable and notebook computers use the same powerful microprocessors, run the same software and have as much memory as desktop machines. Lightweight power supplies seem likely to remain out of reach, for the foreseeable future, however.

There is a wide choice of laptops. Olivetti has introduced the Quaderno, smaller and lighter than conventional laptops with digital audio recording. Handheld computers include devices from Hewlett Packard of the US and Psion of the UK.

The development of portable computing is being driven by

advances in miniaturisation which often boggle belief. IBM has developed at its Boca Raton, Florida, laboratories, for example, a 108 megabyte hard disk drive about the size of a credit card destined for a new generation of very small personal computers. A decade ago, a 10 megabyte drive in a 20-pound "luggable" computer was at the leading edge.

IBM researchers envisage a range of tiny, personal machines which can be modified for different purposes by plugging in adaptor cards - a global positioning device to work with an on-screen map, for example, or a colour video camera. Mr Jack Kushier, IBM's most senior technologist, describes the strategy as akin to "razor and razor blades".

The personal computer is the razor. The core business will be providing the "blades" of on-line services, communications and information.

IBM is not alone in anticipating huge potential demand for

products of this kind. Apple Computer has in development a personal digital assistant, called Newton, which is due to be launched this year. Newton will combine computing power with the facility of an electronic organiser. It will accept handwritten input and fit in a suit pocket. EO, a Californian company, has forged an alliance with AT&T, and the Japanese company Matsushita, to develop a personal communicator combining personal telephone and personal computer.

These gadgets, exciting though they are for the future, form the second age of PCs. The personal computer industry is today characterised by more immediate concerns, including pricing, branding and distribution.

Companies across the world are no longer spending money on computing as they did in the past. Total investment in computer systems - mainframes to notebooks - was \$107bn in 1982, \$3.5bn less than

in the previous year according to the US consultancy Dataquest. These numbers reflect the effects of the recession, the falling cost of computer hardware and a tougher attitude to IT investment among senior executives.

Nevertheless, according to Dataquest, European PC suppliers experienced a surge in demand in the second half of 1992. According to Mr Chris Fell, director of Dataquest's PC service, the surge represents a blip in spending as the market takes advantage of the price wars. "Shipments will certainly remain strong into the early part of 1993, as manufacturers struggle to fulfil a backlog of orders. We will have to see if the demand continues through the summer, although we feel a return to more modest growth is inevitable later in the year."

The price of personal computers has already fallen by up to 40 per cent a year over the past few years - a basic PC

which cost more than \$4,500 in 1983 now costs \$500. There are indications that prices could fall a further 20 per cent this year causing problems for manufacturers and distributors alike as slim profit margins are squeezed further.

It seems likely, however, that prices are stabilising and that PCs will become richer in features rather than cheaper. There are now comparatively few PC components on which prices can fall further. An exception is active matrix flat colour screens, manufactured principally in Japan and used for top-of-the-range portable and laptop machines. The percentage of useable screens obtained from the manufacturing process is still disappointingly low. When it improves, prices will fall rapidly.

Many trace the latest phase in the PC price war to June 15 last year when Compaq, a US company which had been a world leader in high performance PCs, announced a plethora of new products along with price cuts of up to 32 per cent. New ranges of low-priced models were announced.

The effect was electric. 1992 was the year of the no-name manufacturer, when companies without much track record gained market share at the expense of the well-known names, selling on price and a realisation among customers that a well-known brand name was no guarantee of extra quality. Examples of no-name clone makers include Elonex in the UK and Vobis in Germany.

The effect of Compaq's announcement was to cut the difference in price between a Compaq computer and a no-name clone to only 15 per cent from 35 per cent. Last month the company reported net income for the three months to December 31 of \$99.5m, or \$1.10 a share, on sales of \$1.49bn, against net earnings of \$93.8m, or 77 cents, on sales of \$973.4m a year earlier. Analysts had expected the company to earn between 80 cents and \$1.01 share in the quarter.

Mr Eckhard Pfeiffer, chief executive, was quoted as saying: "We have seen record-setting demand for our entire product line since June when

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Editorial production: Roy Terry

we began implementing our new strategy of offering price-leading products that feature Compaq quality and the best service and support in the industry."

Later in the year, IBM announced its own strategy: four separate product sectors, each serviced separately. A new, wholly-owned subsidiary was established in Europe to compete, apparently successfully, with the lowest cost no-name suppliers without hurting IBM's quality image. It also introduced a budget line worldwide - the PS/Valuepoint systems designed to compete against lower priced offerings from Compaq, Dell and the like. These lower priced machines have been selling well. The turnaround at Compaq and IBM suggests that if prices are comparable, customers will opt for the name brand. Prepare for further blood-letting this year. By comparison, Hurricane Andrew was a breeze.

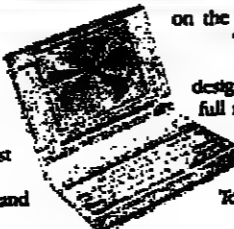
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PERSONAL AND PORTABLE COMPUTERS 2



A Toshiba notebook portable on the move

The Japanese challenge

Second fiddle in the west

IN THE context of global PC markets, Japanese manufacturers have generally had to play second fiddle.

In contrast to their position in their own domestic market, where Japanese manufacturers have been able to keep a tight hold on consumers, their presence overseas has been singularly unimpressive.

"The reason why Japanese manufacturers are not doing so well in the US and Europe is because US manufacturers are so strong," admits Mr Takashi Kuwabara, general manager of the international personal computer product marketing division at NEC.

In Japan the dominance of NEC's proprietary system and the difficulty of the Japanese language have made it difficult for foreign manufacturers to penetrate the market.

In the same way, the predominance of IBM's operating system in the west has been a big obstacle for Japanese companies trying to break into the US and European markets.

NEC, for example, which makes IBM-compatible machines, says that it is always a step behind IBM in bringing out advanced models because it has to test about 100 important software applications every time it launches a new machine.

Another difficulty Japanese PC manufacturers face abroad is the need to rely on sales of stand-alone machines, rather than systems integrated products, says Dr Shigenori Matsushita, general manager of the planning and co-ordinating office in Toshiba's information processing and control systems group.

This is because computer systems are very closely tied to the culture of each particular country so that it becomes necessary to employ expensive engineers - a risk which most Japanese companies have not been eager to take.

Obstacles, such as the above, to Japanese penetration of overseas markets, leads NEC's Mr Kuwabara to conclude that "Japanese (PC) manufacturers will not become a threat to western manufacturers".

Having failed to make much of an impact in terms of market share, the Japanese strategy has been to concentrate on high value-added products. "We are working to maintain high performance and high quality and not get involved in price wars," says NEC's Mr Kuwabara.

Mr Kuwabara compares NEC's strategy to that of Mercedes-Benz or Audi in the car market: both are products which have kept to their own independent marketing strategies regardless of overall market trends.

That may sound like little more than trying to put a brave face on an impossible situation but a high value-added strategy may not be such a bad one for the Japanese, particularly when combined with their strength in PC components.

"As PC vendors, the Japanese have about as low a profile as you can get in contrast to what they've managed in other areas," says Mr Mike Jeremy, electronics analyst at Baring Securities in Tokyo.

But in terms of the components that go into a PC, the Japanese have a very high profile. They are leaders in integrated circuits, particularly DRAMs, in floppy disks and in flat panels.

"If you apply the strategy of the parts to the whole, the Japanese have a very successful PC strategy," Mr Jeremy says. The edge that they have in components, particularly in some of the promising new technologies such as flat screens and small batteries, could in future strengthen their overall position in the PC market.

Just as Toshiba was able to capitalise on its early entry into the laptop and notebook PC market, an early entry into new technology areas could give the Japanese just the break they need.

Industry experts expect some of these advanced technologies in which the Japanese excel to become more popular as their prices fall over the next few

years and as the price wars that have been raging in western markets become less of a determining factor.

"Japanese manufacturers sell high performance machines at high prices but the market does not want that now," says Mr Katsushige Shiga, an analyst at Dataquest, the high-technology market consultancy.

When the environment for such new technologies improves, however, they could become strong weapons for the Japanese, Mr Shiga believes.

Among the promising new technologies in which Japanese manufacturers have a leading edge is in thin-film transistor (TFT) colour liquid crystal displays (LCDs).

In fact, the Japanese dominance of the TFT market is such that US attempts in the US to impose an anti-dumping duty on Japanese-made TFT-LCDs caused an uproar among US users which depended on products from Japan.

Unlike passive colour liquid crystal displays, TFT colour LCDs are easy to read even when viewed from a slight angle.

The problem, however, has been the high price of PCs which use TFT displays and it will take some more years until prices come down to more acceptable levels.

This could happen in about five years' time as consumer electronics manufacturers have been working hard to use TFT colour LCDs in their products and once the TFT ball starts rolling in the consumer electronics industry, volumes

The presence overseas of Japanese manufacturers has been singularly unimpressive

could rise steeply bringing prices down dramatically.

Japanese manufacturers also have an advantage in their manufacturing technology, says Dr Matsushita.

Surface mount technology used in notebook PCs, for example, which allows printing on both surfaces of a printed circuit board and therefore greater compactness, is a technique perfected by the Japanese.

Meanwhile, as they continue to work on developing these technologies further, Japanese manufacturers will want to speed up a long overdue review of their overall marketing strategies for domestic and overseas markets.

Until quite recently, Japanese manufacturers have been able to maintain high prices in the domestic market. This means that they have not participated in the price wars that have spread through western markets.

However, in the past few months, US manufacturers such as Compaq and IBM have begun to present a previously unseen challenge to the domestic manufacturers' stranglehold on the Japanese PC market.

In a bid to spread the use of its bilingual operating system, DOS-V, IBM set up the Open Architecture Developers Group (OADG) in Japan two years ago. The American giant invited other hardware manufacturers, both foreign and domestic, to back its standard as an alternative to NEC's 9800 PC series.

OADC has so far brought together more than 25 manufacturers, and if it has not helped the fortunes of all of its members, it has certainly raised the profile of IBM in Japan.

Then in October last year, Compaq shocked the Japanese market by announcing a range of desktop PCs priced at about half of what it would cost to buy comparable machines from a domestic manufacturer.

Compaq's move was soon followed by price cuts from IBM, NEC and most recently, Fujitsu.

That the spiral of falling prices is unlikely to end just there was signalled when Compaq announced a further cut in prices this month.

Michio Nakamoto

PERSONAL computer price wars have broken out across Europe. During the second half of 1992, the large established groups, such as Compaq, Hewlett-Packard and IBM of the US and ICL of the UK, admitted PCs had become commodity products.

The branded companies decided to take on the close manufacturers at their own game. Prices were slashed and low-price models launched. In the UK, average prices for PCs using the 386SX chip fell nearly 30 per cent from £2,074 to £1,479 between 1991 and 1992, according to Context, the London-based market research company.

The situation is still deteriorating - at least for manufacturers, if not consumers. Mr Bruce Sinclair, vice-president of Northern Europe for Dell Computer, reckons the price of a 386 workstation has fallen by 60 per cent to about £1,000 over the last 12 months, depending on configuration.

Infocorp Europe, the Paris-based market research group, expects prices to fall 15 to 20 per cent during the first half of 1993.

Compaq led the way with the launch of its ProLinea PC range and its Contura notebook computers. IBM followed with its ValuePoint range, as did Hewlett-Packard.

The initial success of low-priced branded products surprised even the companies involved.

Both Compaq and IBM were left with product shortages. At

the end of the year, Compaq still had two months of back orders to fill.

However, Ms Marye Tonnare, industry analyst at Dataquest in Paris, says once these early problems began to be overcome in the last quarter of last year, the floodgates opened and prices tumbled even faster.

The price has driven volume growth. Dataquest estimates the European market will have increased by 11 per cent last year, a reversal of the previous four years which witnessed slowing growth rates.

Meanwhile, so-called no-name manufacturers such as Vobis in Germany and Elonex in the UK have continued to do well.

In Europe, they increased their share of the market from 8.1 per cent to 9.1 per cent, according to Infocorp.

The switch for most of the groups from high-technology high-price companies to high-technology low-price distribution has created an enormous culture change. The price cuts have squeezed margins for the PC manufacturers.

Put simply, they launched cost-cutting initiatives. Dell Computer, for example, launched a cost-containment drive during the second half of

Paul Abrahams reports on a price war epidemic

The lean, mean survivors

Personal computer European market shares*

	1992 %	1992 %
IBM	15.6	13.5
Apple	7.9	8.5
Compaq	6.4	8.8
Olivetti	6.8	8.8
Vobis	2.8	4.5
ICL	1.8	2.8
ZDS	3.2	2.7
Toshiba	3.3	2.6
HP	1.7	2.4
Dell	1.1	1.7
Siemens	1.8	1.0
No name	8.1	9.5

* All MS DOS/Windows and Apple models

Source: Infocorp Europe, January 1993

last year called "Cost-busters".

"Anything that did not add value was cut," says Mr Bruce Sinclair at Dell Computer. "Through the programme we reduced operating expenses from 20 per cent of sales to 16 per cent of sales. Meanwhile we were doubling the number of worldwide employees."

Measures taken at Dell included changing the car policy so that not all managers automatically had cars. Pay policies were changed so that the salaries of 40 per cent of the workforce were linked to performance.

During the third quarter, salaries were frozen and employees offered 50 share

options instead. Distribution costs are also being slashed. Dell Computer has always sought to minimise its distribution costs through direct selling. The company reckons 90 per cent of its European sales are through internal channels.

It has also rationalised its logistics by centralising warehousing at Limerick in Ireland, where its new plant is capable of configuring computers for European local markets. This cuts down inventory in local markets.

"What is so encouraging about the last 13 months is that it shows the established PC manufacturers are capable

of change. They have become lean and mean," says Ms Tonnare at Dataquest.

Meanwhile, European retailers are also having to adapt to the price wars. The squeeze on margins sent at least 20 per cent of computer dealers out of business last year.

Warehouse-style superstores are being set up in the UK in an effort to emulate US practices. Whether these superstores are successful remains to be seen.

Costs such as real estate and labour in Europe are equivalent to 20 per cent of turnover compared with 8 per cent in the US.

As one PC manufacturer points out, costs in Sweden are rather different than in Austria, Texas.

The full impact of the price wars on the structure of the industry is yet to be determined, according to Dataquest. But some winners have emerged.

Compaq's share of the European market increased from 6.4 per cent to 8.5 per cent between 1991 and 1992, according to Infocorp Europe.

Hewlett-Packard also improved from 1.7 to 2.4 per cent; it shipped as many PCs in the last four months of 1992 as it did during the previous

eight. Meanwhile Dell's market share rose from 1.1 to 1.7 per cent. ICL, thanks to its acquisition of Scandinavia's Nokia Data, rose from 1.8 to 2.8 per cent. Vobis of Germany almost doubled its market share from 2.8 to 4.5 per cent.

Olivetti of Italy fell from 6.6 to 6.4 per cent and ZDS of France dropped from 3.2 to 2.7 per cent. Toshiba, the specialist portable computer group, had a tough year, but maintained its market leadership, although Compaq is fast catching it up.

Infocorp Europe predicts the PC market will be polarised between the large groups, capable of pushing down production costs through efficient purchasing and economies of scale, while spreading marketing and distribution costs over very large volumes. Small groups will continue to maintain some competitive advantage, given their proximity to clients and their flexibility and high service levels. It expects that many groups in the middle ground will find it difficult to survive.

The companies that succeed will be those with a wide product mix that allows them to address different vertical markets, says Ms Tonnare at Dataquest.

Those that survive will also have to get their prices right and sort out their logistics effectively. "There will undoubtedly be a shake-out during 1993. Some companies will not exist by the end of the year," she says.

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PERSONAL AND PORTABLE COMPUTERS 3

APPLE'S determination to plough its own furrow, away from the fertile fields occupied by IBM PCs and their clones, rarely seemed as justified as it did in 1992.

While IBM, its arch-rival in the world of personal computers, posted a loss for the final quarter of \$5.46bn, the highest ever in US corporate history, Apple finished the year on a high note. Quarterly profits were \$161.2m on record sales of \$2bn, close to the level made by IBM's personal computer division. Sales of the Powerbook range of portable computers alone were worth about \$1bn in their first full year on the market. The company's share price reflected the mood, almost doubling in the second half of 1992.

One of the factors behind this performance has been an explosion in the company's product range. By the end of this year, Apple will have launched more products than ever before in a two-year period. New arrivals include the Powerbook Duo - port-

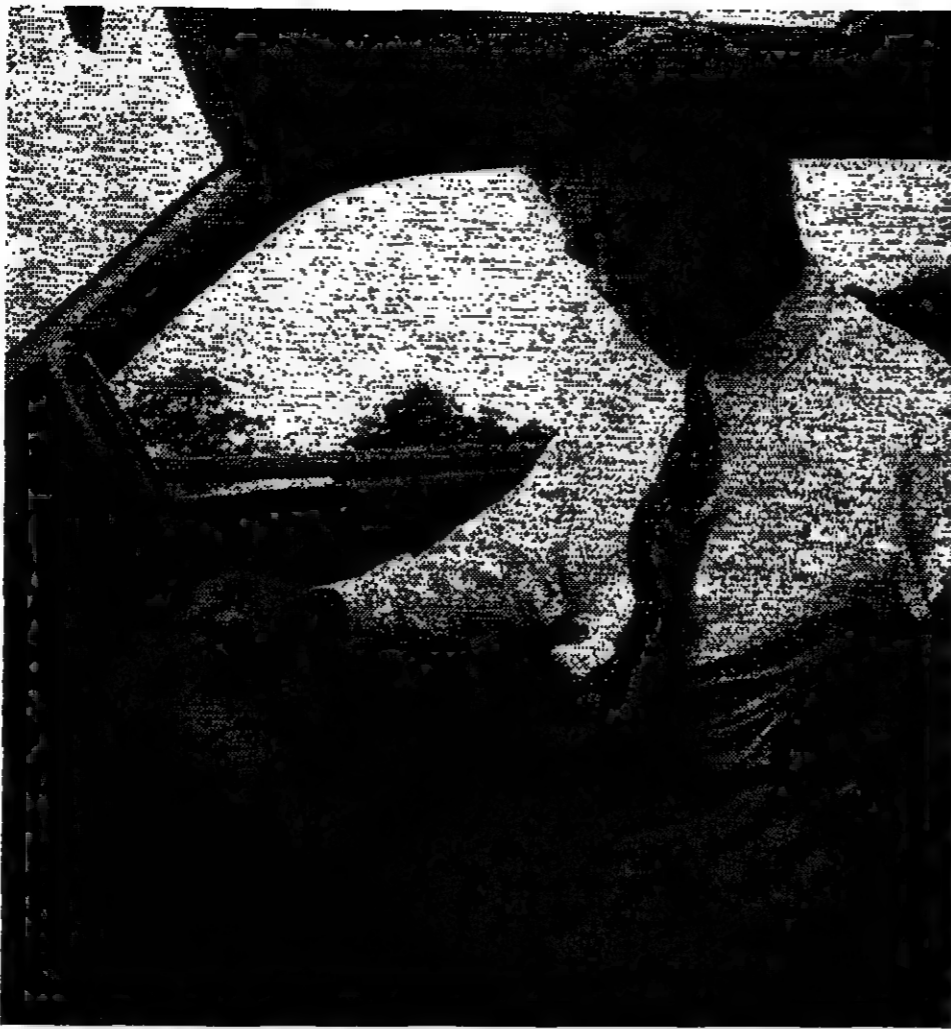
There has been an explosion in the company's product range

able computers sold with adaptors that turn them into desktop computers - colour screen versions of older models and additions to a range of high-powered, high profit margin machines, the Quadras.

This marketing-led proliferation of brands reflects the priorities of Mr John Sculley, Apple's chairman and chief executive, who was recruited from Pepsi-Cola in 1983 to replace the boffins who began the company in the 1970s. In spite of Mr Sculley's marketing credentials, the current branded management philosophy is a more recent arrival.

"Two years ago there was a change of strategy," says Ms Jane Burley, Apple's UK regional group product marketing manager. "From being a middle-of-the-range desktop computer maker, we moved both upmarket with the Quadras, and downmarket with the Classic and LC models."

Since then, the upmarket Quadras have consolidated their position as the first choice for design studios and publishers, with the help of some price cuts. The move downmarket was largely a matter of cutting the prices of



Driving force: Apple Macintosh's new Powerbook range

Daniel Green on the strategy of IBM's arch-rival

Every variety from Apple on display

older models. It culminated at the end of 1992 with the price of the cheapest Apples falling below \$500.

Although the approach boosted short-term finances, there have been problems behind the scenes. The price cuts and wider range of products boosted sales too much. Last quarter saw turnover 7.4 per cent higher than a year earlier, but margins were eroded and profits fell 2.5 per cent. Still worse, the company was unable to keep up with the demand for some of its prod-

ucts. Potential buyers were turned away as demand outstripped the supply especially of Powerbook portables and the budget models selling into the Christmas market.

The price of the bottom-of-the-range Classic has now risen again and the company is busy mollifying frustrated customers.

Apple's financial performance, especially compared with other computer hardware suppliers, has also distracted from the fact that the company faces an ever-growing chal-

lenge on the software front from Microsoft's Windows programmes.

Like Apple software, Windows uses striking graphics to appeal to non-technical buyers.

This is more than a matter of pretty packaging: when a computer is easy to use, employers have to pay less for technical help. A survey by market research company Gartner Group shows how expensive it can be to assist the users of unfriendly computers. The cost of owning personal computers based on the old IBM personal

computer software, DOS, is one quarter higher than using Windows on a similar computer and 50 per cent more expensive than Apple.

Much of the history of Apple has been about the battle between such technical advantages of its software and the marketing of microchip power by IBM and its sales-driven followers such as Dell and Compaq. The arrival of Windows represents a recognition by Apple's rivals that software is as much part of marketing a computer as the model number of its microprocessor.

Apple's response has been twofold. In the first instance it has established a set of alliances with IBM itself. The aim is to share the costs of developing the building blocks of the next generation of personal computers. The ventures include Taligent in software more suited to screen graphics, and a tie-up with electronics company Motorola to build a more efficient kind of microchip using the "reduced instruction set computing", or

Dauphin Technology of Illinois has announced a computer to compete with the Newton

Risc, approach.

The second response is to try to take the friendliness of its technology to new heights. It is driving hard into a new area of computing called "multimedia" in which text, moving pictures and sound all form part of the application.

More dramatic still is its proposed Newton computer, designed to accept handwriting instead of typed-in words and commands. The company has signed alliances with Japanese electronics companies Hitachi and Sharp to develop products associated with the Newton.

These ideas have immediate appeal, but Apple is not alone in its efforts. At least one company, Dauphin Technology of Illinois, has announced a \$3,500 computer that it says will compete with the Newton. And last month IBM itself set up a venture in multimedia on which it promised to invest "tens of millions of dollars".

Apple's world is a fertile one and it has in recent months reaped some of its rewards. But the computer industry moves quickly and for Apple to maintain the momentum it gained in 1992, multimedia and the Newton must succeed.

Michael Dempsey examines security packages

Game of prevention

COMPUTER games are a serious business. Playing one on a portable computer cost a Birmingham Midshires Building Society salesman his job last year. The society insists that its employees avoid exposing its computers to any risk of a virus. And computer games are a prime source of damaging bugs. Introducing one is regarded as a breach of contract.

Birmingham Midshires uses NCR/AT&T Safari portable computers to sell life insurance and mortgages to potential buyers at home. The portable gives its salesforce the means to calculate and demonstrate mortgages and pension packages. This accelerates the sales process, but leaves the sales staff holding sensitive data on a machine that attracts thieves. And any bug on the software could infect branch computers when sales data is fed down the network.

The building society has spent \$300,000 issuing its 90 salesmen with the machines and associated software, notably a security package from Fifth Generation Systems called Safe. Three portables have been stolen in the last 12 months. The object of Safe, which evolved from a product called Triumph, is to make sure the thieves are left holding an attractive but useless piece of hardware.

"Safe is a package that makes our data totally secure, you put the sensitive data on the hard disk and you can't access it without going through three levels of password," says Mr John Edkins, who is manager of business improvement at Birmingham Midshires. Provided his staff follow the rules, no thief will benefit from confidential information provided to Birmingham Midshires. A stolen portable can be used again - but only by installing a new hard disk.

Safe also limits how far unapproved software, notably games, can go on the portable. A game can be played, but only if loaded with its own disk-operating system. Only head office has the ability to copy software from the A drive to the C drive of the hard disk. Software is copied from a cen-

tral computer via a modem at branch offices.

The society's employees are not issued with disks. This reduces the danger of contamination by computer virus. And the copying limitations make it difficult for a member of staff to copy client lists before giving notice.

If these security precautions sound unflattering to Birmingham Midshires staff, there are significant compensations from using a portable PC. The technology dispenses with the need to leave books of life insurance and mortgage rates from door to door. Administrative work at branch office is reduced to downloading software via the modem. This leaves the salesforce free to concentrate on selling.

"The sales people like it and

The object of Safe is to make sure thieves are left holding a useless piece of hardware

the clients are very positive. We've had some clients take over the PC and enter their own details," Mr Edkins is convinced the portables have paid their way. "Perhaps 30 per cent of sales are now attributed to the technology. At around £3,000 a machine, one extra mortgage sold will pay back the value of the system."

One company that relies on portables and knows the reality of the virus threat is Reflex Magnetics. Reflex is a media duplication house, supplying disks and tapes across the computer services sector. Mr Andy Campbell, the sales director, works entirely from a portable. With master disks arriving by the dozen to be mass-replicated, he has always been aware of the danger.

Nevertheless, the company eventually did load a virus by accident. It was introduced and dealt with during testing, but the incident made an impression. Once bitten, Reflex decided to write its own security program. Most virus incidents can be traced back to the floppy disk, Mr Campbell says. "So we came up with a product that forces us to check any disk before it is loaded." Dis-

knet costs £89 and will not allow the user access to the hard disk unless his floppy has been cleared for bugs by virus-scanning software. The correct password must also be entered. The A drive can still be employed, but data held on the hard disk is protected.

Mr Campbell is pragmatic about the extent to which Disknet can guarantee security. "Any security device can be cracked if you have enough knowledge and time. Our technical director does his development work on a portable. If a commercial rival targeted and stole that machine they would get past Disknet." There is clearly only so much you can expect from a security package. But Disknet is robust enough to be ordered by the RAF and financial services group HFC.

Physical protection through programs like Safe and Disknet needs to be accompanied by security practices. Marlborough Stirling Group writes financial systems for use on portable computers. Mr Jim Deane, MSC's technical director, recommends pulling data back on to a branch computer at every opportunity. This is known as docking, and reduces the client's exposure to staff defecting with valuable files.

The incentive for field sales personnel to co-operate with docking is that it speeds up the processing of a new policy or product.

The pharmaceuticals arm of ICI, recently re-named Zeneca, issues its salesforce with Saunyo 386 portables. The machine comes with a removable hard disk and ICI adds its own security software. But that is not considered enough. ICI issues internal guidelines on the security of information, dividing it into what can be carried off-site and what can be held on a laptop.

"You're in the game of prevention," says Mr Graham Barton, information systems manager at ICI/Zeneca. "You should prevent sensitive information being put on portables in the first place." He acknowledges that this places a limitation on the use of the system, but that is a price he is willing to pay.

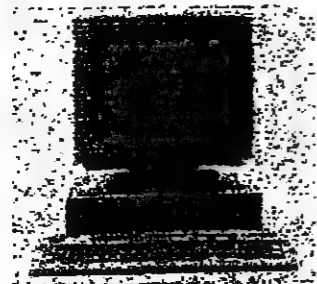
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PERSONAL AND PORTABLE COMPUTERS 4

Michael Dempsey looks at the impact of Groupware

Striking the right Notes for the future

THE COMPUTER software industry has been promising to change the way people work for the past decade. Scenarios might suggest the aim has been achieved, but only in terms of expense and frustrated users. Enter Groupware.

Groupware is a term coined to embrace programs for people working in teams. It provides an infrastructure to co-ordinate individuals in the group, while ensuring the concurrence of data relating to their work. Members of the group can be scattered across continents. But when they turn to their software environment, the very latest information from all involved is right there.

Groupware offers a godsend to large organisations tackling the logistics of teamwork. The concept has taken off with Lotus Notes first on the beach.

Notes sits on one dedicated PC which serves up to 50 users. This central core holds material which users summon up, seeing the latest change to the project across the network. Lotus began selling Notes licences for batches of 200 users upwards. The entry investment, at \$200 per user, was \$40,000.

The appeal was dramatic, with blue chip companies buying licences by the thousand. In the last 12 months the user base has grown exponentially. By March 1992 Lotus

had sold 117,000 licences worldwide. Industry sources suggest that this figure now stands at 500,000.

Notes answers many administrative headaches. Use it for conferencing and it boosts productivity by avoiding duplication of effort. A centrally held diary can fix meetings in one shot, rather than the familiar round of phone calls via secretaries requiring a dozen cancelled appointments before one convenient day can be established.

Groupware is a term coined to embrace programs for people working in teams

But it does have limitations. The dedicated server must run IBM's OS/2 operating system which is greedy in terms of space on a machine and is primarily established among very large corporate users. Each group hangs off one server, but co-ordinating that server to others to form a constellation of workgroups is not easy. A release

for the Unix operating system, offering vastly improved networking capabilities, is imminent.

Management consultants KPMG recently conducted a survey covering 10,000 UK Notes users. The principal problem encountered was actual communication of what Notes does. Within large organisations senior managers still have reservations about whether Notes is worthwhile.

The computer industry can blame itself for this. Groupware arrived in a blaze of jargon. Workflow, a term that has as many definitions as it has adherents, is a typical Groupware spin-off. It refers to monitoring individual effort and directing the user so as to optimise time and effort. But the term is so imprecise that it serves to confuse.

To use Groupware, a company must be comfortable with team structures. There is little point installing Notes if the users work in a fractions environment. Groupware is suited to professional harmony.

But corporations that have



Richard Lavender: "a confidence trick in the nicest possible way"

embraced Notes have gone for it in a big way. General Motors has bought nearly 30,000 licences for Notes, through its IT arm, Electronic Data Systems. Mr Mike Thompson, an EDS manager attached to GM in the UK, is impressed. "It's been phenomenal. The user perception is extremely positive."

A typical GM application is shipping pictures of parts around across Europe to ensure that they are produced exactly to their original specification. And it is evidence of the quality of graphics with Notes.

GM is prepared to entrust Notes with a critical role in maintaining engineering standards. But the GM world already consisted of a massive IT infrastructure and the trained staff to use it. Mr Thompson warns that without this investment Notes will not deliver. "You must take account of the support aspect. You do need a network in place."

BP Oil employs Notes as the framework for its emergency response system. If an oil leak occurs in Germany, staff across Europe consult Notes for site plans, technical diagrams and up-to-the-minute statistics.

Notes maintains information on health and safety rules and their implications for the oil sector on a system that can be accessed by BP staff across the continent.

Lotus has certainly gained acceptance for Groupware with Notes.

But there are other products that do a similar job. Why has Lotus Notes emerged from the PC world to eclipse steady performers like Verimemo or Memo or the new Co-operation program from NCR?

Mr Richard Lavender, a senior consultant at systems house Logica, describes the rise of Notes as "a confidence trick in the nicest possible way." The market presence of Lotus as a reputable supplier of PC software was critical. "People knew

By March 1992, Lotus had sold 117,000 licences worldwide

who Lotus were and they already had Lotus products under their belt." And the sales strategy of going straight for large users has produced influential endorsements.

Verimemo's Memo range grew out of an electronic mail system for Volvo. It tends to thrive in mainframe environments where a lot of users need to pull down and share

corporate data. Mr Bruno Giversen, Verimemo vice-president, admits that both products have their strengths, and can be complementary. "Memo is much cheaper, but rightly so because Notes has more database facilities."

Abbey National's new life insurance wing uses a mainframe based Memo system to co-ordinate its PC environment. NCR's Co-operation ties together elements of an existing IT infrastructure. The idea is to maintain the hardware investment but control staff working locally within the overall wide area network. It is a development environment that can be altered to suit individual businesses, offering a shot at the elusive prize of "competitive advantage".

National & Provincial Building Society is implementing Co-operation to keep documents flowing between teams. A typical price for a 100-user installation would be \$77,000.

Mr Kenny MacIver, a software analyst at International Data Corporation, has made an exhaustive study of the mass migration to Notes. He concludes Groupware is obvious limitations. Notes is a glimpse of the future. Where there is a need to share data and co-ordinate group activity, there's going to be a need for such a package.

Louise Kehoe looks at tomorrow's world of ultraportables

Smaller, ever smaller

WHAT'S next after personal computers? According to many in the PC industry, the future lies in hand-held devices that combine computer and communications technologies. Apple Computer calls them personal digital assistants, others refer to them as information appliances, but perhaps the best name is personal communicators.

Whatever they are called, they are creating a great deal of interest among potential customers, and excitement within the computer industry where they are viewed as a potential multi-billion dollar market opportunity.

Last May, John Sculley, Apple chairman, described his vision for personal digital

assistants as the seeds for a \$3,500bn industry that would be created by the "collision of content, communications, computing and consumer electronics".

"This isn't about taking a computer and shrinking it down," he said. "It's about starting with an entirely new set of principles built around intelligence, built around communications, built around complete intuitive-ness... about building some-

thing that is as easy to use as an aim-and-shoot camera or a telephone."

The first version of the much ballyhooed Newton personal digital assistant is now expected to make its debut this summer. It will be an electronic note-pad, a hand-held device that "intelligently assists the user to capture, organise and communicate information," Apple says.

At a recent demonstration of a prototype version of Newton,

the device could decipher and store handwritten notes, automatically making entries in a personal calendar, send a facsimile message and send or receive electronic messages via the telephone.

Apple says that the first version of Newton will be priced at "well below \$1,000". It will be aimed initially at business executives, rather than the masses that Apple eventually hopes to attract with its easy-to-use technology.

Price will be an important factor in the development of the market. It is generally agreed that to reach a broader market personal communicators will have to sell for less than \$500 and preferably closer to \$300.

Bringing the expectations surrounding hand-held personal communicators down to earth is important, says Marc Porat, president and chief executive of General Magic, a three-year-old company that is



EO's hand-held tablet: as ubiquitous as the telephone

developing software for personal communicators.

"I am a walking antidote to hyperbole and hysteria," says Mr Porat. "The public is tired of promises that the high-tech industry does not live up to." It may be a decade, or even longer, before intelligent personal communications become a reality, he stresses.

Nonetheless, General Magic has renewed interest in personal communications devices with its announcement of software that is designed to enable personal communicators from different manufacturers to exchange information.

The company has developed Telescript, a programming language for communications software that it aims to make into an industry standard. Magic Cap is General Magic's software foundation for personal communicators. It provides a "user friendly" face for personal communicators such as Apple's Macintosh did for personal computers.

Companies backing General Magic, and planning to use its technology are Apple Computer, Motorola, Sony, AT&T, Matsushita and Philips.

Motorola, a leader in cellular telephones and paging devices, claims that it will be the first company to bring wireless communications capabilities to personal communicators. "We believe there will be strong demand for fun and easy-to-use devices that will



John Sculley: vision of a \$3,500bn industry for PDAs

help people stay in touch with the office or with those at home," said Pat Richardson, vice-president and director, Motorola Personal Messaging Products. "Personal communicators will provide business users and ultimately the average consumer with the ability to communicate with anyone, anywhere in the world at any time."

Motorola's first personal communicator will be launched later this year, the company said.

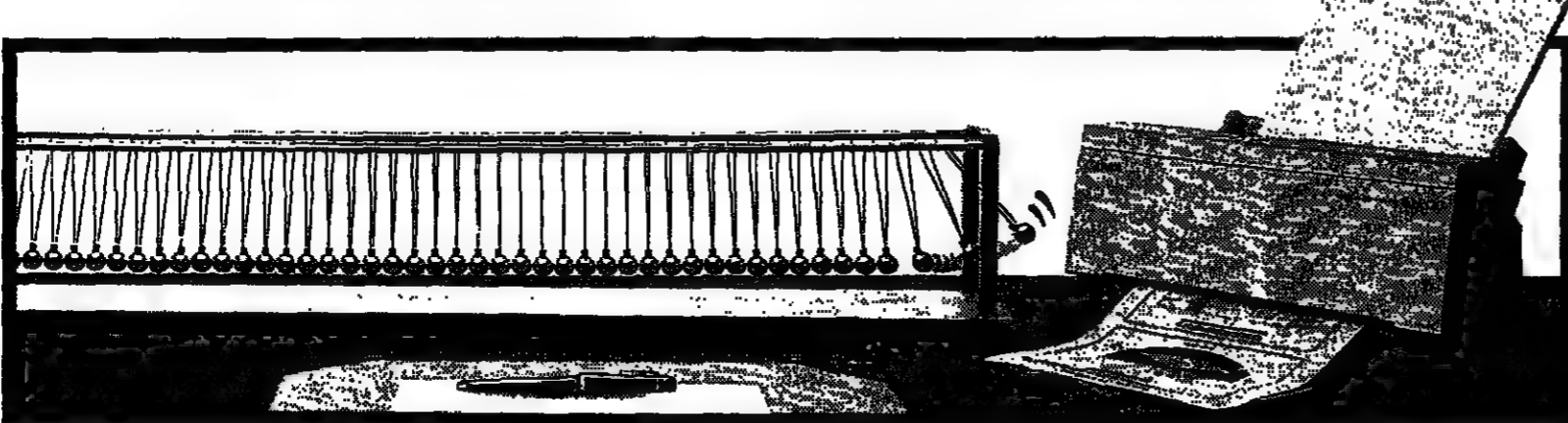
AT&T has already staked its claim to the personal communications market through an alliance with Eo, a Silicon Valley start-up company that recently announced its first products - hand-held computer tablets with built-in

communications capabilities. "These personal communications devices will become as ubiquitous as the telephone or the television," said William Warwick, president of AT&T Microelectronics. He predicted that there could be as many as 1bn of the devices in use in 10 years.

The question hanging over personal communicators is not whether they will become the next blockbuster electronics products but when.

"We think there are going to be billions of these devices out there, and at some point sales of these new devices will surpass those of personal computers. We are guessing what is going to happen before the end of the century," says John Sculley.

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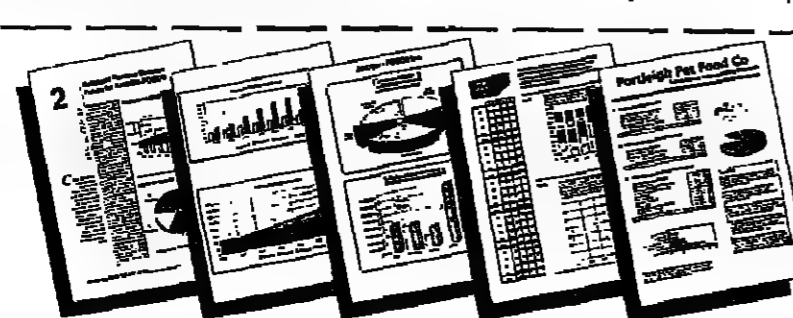
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A MUCH more powerful, PC microchip called Pentium is soon to be launched by Intel to follow its popular current-generation 486 microprocessor. For PC users or perspective buyers this raises questions about what they should do now. Should they stay with the PC they may already have, or buy the first Pentium-based PC available?

Pentium (which could be considered a 586) leads a pack of new, higher-performance microprocessors that are emerging, such as the Alpha from Digital Equipment and the PowerPC from the Apple Computer-IBM-Motorola alliance. These process data 64 bits at a time compared to 32 bits with a 486.

As each of these microprocessors is designed to provide big performance improvements, a user or perspective buyer needs to know how and when to best upgrade his existing hardware and software; the availability of new software; and whether his current software will run on Pentium-based PCs. Significantly, how will the new microprocessors affect PC prices?

The best thing may be to stay with what a user already has for a while. "Buy an economical 486SX which runs Windows right now," recommends Mr Kim Brown, microsystems vice president at InfoCorp, a market research company in

Santa Clara, California.

If a user wants more performance later in the year, incorporate an Intel DX2 Overdrive microchip that doubles processor performance, Mr Brown suggests. DX2 Overdrive prices are too high at the moment but should become reasonable later on, he says.

Then next year, as Pentium-based PC prices begin to fall, look carefully at existing applications and determine whether Pentium provides a viable and needed alternative, he adds.

A buy-486-and-hold strategy makes sense to Ms Nancy Tanana, marketing manager at the PC business unit of Digital Equipment in Acton, Massachusetts.

If the applications in use are fairly static and not highly graphical, such as spreadsheets or word processing, then a 486 will do the job for the next several years, she says. There are still a lot of 386-based systems being shipped to meet those kinds of needs as well, she observes.

However, it obviously depends on which applications are in use. If file or network servers are being implemented, then a more powerful, next-generation processor is probably needed, Ms Tanana adds.

Also holding back, Mr Scott Ulrich, senior analyst, at Municipal Bond Investors Assurance (MBIA)

Bill Arnold on how users will react to a new microchip

When to take Pentium

In Armonk, New York, says he sees nothing on the way that would cause him to replace his 486 in the near future. He will wait for prices to fall.

Availability of new microprocessors from system manufacturers is also a big issue for users. "The new microprocessors will not have a significant impact this year," declares Mr Mel Thomsen of Pathfinder Research, a market research company in San Jose, California. Nor, he says, will they compete much with 486s now in the marketplace on cost and performance grounds, since 486-based PCs are so cheap.

Pentium-based machines will probably begin to appear this autumn as servers or other high-end systems aimed at power users, according to Mr Tony Tong, product manager with Elitegroup Computer Systems (EGS), a PC board systems manufacturer in Fremont, California. But it will probably not be until 1994 that systems will appear in any volume, he says. Part of this is due to the time it will take Intel to bring up advanced new fabrica-

tion processes to produce Pentiums in volume, he says.

When it is time to upgrade his PC, a user has several choices: buy a whole new PC; swap a new Pentium-based motherboard (printed circuit board on which the chips are mounted) for an existing 486 PC; plug in an add-in board containing

A user needs to know how and when to best upgrade his hardware and software

a new higher performance processor, or replace a 486 chip with a higher performance microprocessor - assuming that the existing socket on the motherboard will accept the new microchip. Each approach has pros and cons.

For Mr Chuck Davis, information resources director at Eagle Industries in Chicago, Illinois, swapping boards gives a level of complexity he does not need. Using boards would create problems with ordering, record keeping, installation and

maintenance, he says. "My orientation is toward the box, not the CPU or boards. We move boxes, not boards," he says.

Mr Ulrich of MBIA would probably swap motherboards or use add-in cards containing new microprocessors to upgrade but that would depend on the cost implications. However, using add-in cards would not overcome the limitations of the other parts of existing PCs.

To provide a system-level upgrade, Dell Computer in Austin, Texas, recently announced 18 new 486-based PCs with sockets that will accept a Pentium-class microprocessor from Intel, according to Mr Charles Sauer, vice-president for software and technology strategy. Dell is evaluating a Pentium add-in card for the new systems that would provide users with an upgrade path, he says.

Chip vendors cloning Intel microprocessors also provide upgrade options. For example, Cyrix in Richardson, Texas, enables users to upgrade their 386DX sockets by plugging in a 486-compatible micro-

chip that doubles the clock speed, according to Mr Glenn Burchers, microprocessor marketing manager. Cyrix also is developing Spike, a processor, due out in the second half of 1993, that is Intel-compatible for which he claims better-than-Pentium performance.

But software can also limit PC performance. Mr Thomsen of Pathfinder points out. Software is the real wild card in the whole mix, he says. To exercise fully the performance of Pentium and Alpha class microprocessors, for example, Microsoft is developing Windows NT (New Technology) which is expected to be unveiled in May.

Windows NT is designed to let a desktop run applications software developed specifically for the new microprocessors as well as existing applications software written for current Intel-based PCs, such as MS-DOS and Windows-based operating systems. Presumably, x86 applications software could run on, say, an Alpha-based machine, as well as a Pentium one.

This "backwards-compatibility," a stated goal of Microsoft and chip vendors, is designed to preserve the great investment and installed base of MS-DOS and Windows-based applications and might give users more flexibility in choosing new hardware. "The beauty of the DOS-based PC is the \$100bn software

base," declares Mr Dick Eckhardt, engineering vice president of Cyber Research in Branford, Connecticut. "No one will buy a system that's not compatible with that software," he says.

However, Windows NT will only emulate software written for 486 and older PCs, so performance - though quicker than a 486 machine - won't be as fast as software written specifically for Windows NT, according to Mr Scott Thomas, of Toshiba's Semiconductor Group in Irvine, California. To run faster, the software would have to be cleaned up but this should not be too difficult, he adds.

"There's no merit in buying a 586 (Pentium-class) machine and running the software I've got," Mr Thomsen points out (He uses a 33-MHz 386-based desktop, which works just fine, he says). "To optimize the performance of a 586, you need to recompile all the software to take advantage of all of the microprocessor's features."

What about PC pricing? Mr Peter Zandan, a market analyst at IntelliQuest in Austin, Texas, believes that Intel will pursue an aggressive pricing strategy for Pentium, echoing the 386 to 486 transition. This should be reflected fairly early on in PC pricing, he says. Users not only will expect it but will demand it, he adds.

SINCE it entered the PC marketplace six years ago, AST Research has quietly become a \$1bn-plus company that is compared favourably with such first-tier high-flyers as Compaq and Dell Computer.

Revenues from the most recent second fiscal quarter soared to \$346.3m, up \$60m from the previous quarter and \$107m from a year earlier, while net income almost doubled to \$14.8m from the previous quarter. Revenues have grown 60 per cent over the past 18 months. In that second quarter AST shipped 200,000 notebook, portable and desktop PCs and expects to ship 1m units in the next 18 months.

But that only makes AST a fish that is eighth in the US and 11th worldwide in a rolling PC marketplace, swimming among much larger sharks such as IBM, Apple, Compaq and Dell. It must navigate carefully to survive in a marketplace ruled by severe price competition, continuing shake-out of PC vendors and unrelenting technological innovation. Furthermore, all competitors have access to the same commodity components and software.

Reflecting on market conditions, analysts with investment house Merrill Lynch Global Securities Research estimates that, although

AST's revenues will continue to rise, gross margins continue to slide. Consequently, they lower the earnings per share estimate to \$1.85 from \$2.00 for the third quarter. However, the New York-based firm acknowledges that AST has "significant" orders, is controlling costs and can expect greater revenues from new products such as notebook PCs.

More bullish analysts at Alex Brown & Sons in Baltimore, Maryland, declare that "we know of no better, low-cost, design and volume PC manufacturer than AST". They point to the company's ability to quickly sniff out "sweet spots" in high-growth channels to jump into first, such as selling through large consumer electronic and appliance chains. They put AST in the "PC elite" along with Compaq, Dell, IBM and Apple.

To continue to grow, AST president and co-founder Sam U. Qureshey says that the company does not face external market challenges but internal ones. "The challenge is how to build an organisation that thrives on change," he says. AST in Irvine, California, for example, must find ways to continually improve production and execution, he says.

Mr Qureshey points out that AST has a young workforce that might become overawed competing

against the likes of IBM and Compaq. "AST has to find its own solutions" and "build an organisation that doesn't get scared," he says.

"We must constantly re-engineer the organisation," Mr Qureshey says. "If we continue to do what we did a year ago, we will fail," he says. AST employees must not be afraid to experiment, he adds.

To prepare for growth, Mr Qureshey says that a strong management team has been brought in. The new head of engineering is a 15-year veteran from IBM's PC operation in Boca Raton, Florida. Worldwide service (an AST strong suit) is run by a 25-year Digital Equipment veteran and worldwide manufacturing by a manager with 10 years' experience at Motorola and 15 years at Texas Instruments. (The former engineering head now hunts for new business and technology opportunities.)

But how does bringing in industry veterans from large organisations that might be perceived as slow-moving equate with a young company trying to thrive on

Profile: AST RESEARCH

A fish among sharks

change? Acknowledging that this was a concern, Mr Qureshey says that they were chosen carefully and attracted to AST in the first place. The ex-IBMers, for example, was responsible for several successful products there.

AST's goal is to grow faster than the marketplace, Mr Qureshey declares. More moderate price

It must navigate carefully to survive in a market ruled by severe price competition

declines in the coming months will help, he predicts. The big players were out of line with their prices and made a correction. Declines now are not likely to be as steep as the last six months of 1992, he maintains.

According to Mr Qureshey, AST's success is based on being totally focused on the PC business, based in the biggest marketplace, able to pick and choose from the best technology, and staying close to cus-

tomers to respond to their needs.

That may sound like motherhood and apple pie, but Mr Qureshey says it is also based on the "challenge" of having his 350-person engineering department writing out the best performance from commodity components and software.

Mr Qureshey claims that when AST entered the PC market six years ago with a 386-based machine, it set new standards for price and performance and started the company's growth. Two years ago AST went after the notebook market against the likes of Compaq, NEC, Toshiba and Zenith and is now a solid number three in the notebook business.

Alex Brown analysts call AST's PowerExec notebooks introduced last September "unparalleled in the industry". The notebooks have pop-out modules that enable users to upgrade their display screens, microprocessors and hard disk drives without having to buy a whole new system. The \$995 to \$3,395 Bravo line of desktops for small and medium-sized businesses

feature graphics and modem capabilities that "set (them) apart from similarly-priced competitive offerings", the analysts report.

The initial Bravo line was brought out four years ago to offer business-oriented features when people were buying consumer-oriented PCs from Leading Edge and Samsung, Mr Qureshey says. A year ago it introduced the Advantage line for consumer electronic chain stores, now in more than 900 US locations. "We created a whole new strategy," he declares, one that saw revenues for that segment grow to \$50m in the second quarter from \$30m in the first.

Being vertically integrated also enables AST to design and manufacture PCs for other PC vendors. It reportedly builds PCs for Digital Equipment and may also do contract manufacturing for either IBM or Unisys, according to Alex Brown analysts. Mr Qureshey will not comment on specifics but says that because AST competes head to head with the best PC vendors in the marketplace, large system houses confidently come to the company for design and manufacturing.

This represents the third phase of contract manufacturing. First, large system companies dabbled with the PC manufacturing and then turned to Far East manufacturers, who proved unsatisfactory.

Alex Brown analysts say that OEM sales is an increasing percentage of North American sales, rising from 10 per cent to the teens, depending on the quarter.

AST also grows by staying out of some markets, Mr Qureshey explains. For example, one is the Risc marketplace (Risc is speedy microprocessor technology that competes with standard PC microchips). "People looked at Sun (Microsystems) and got seduced," he says. "Sun did a good marketing job but it sells a whole workstation whereas Risc clones couldn't and now are out of business."

Others include pen-based PCs and multimedia machines, which Mr Qureshey says have no primary applications driving them today. They will be niche markets for the next 18 months, he says. Nevertheless, AST will introduce a pen-based system in a few months as part of a measured product strategy in both areas.

AST, now 18 years old, began as a maker of add-in boards that enabled users to add features to IBM PCs. It took its name from the first letters of its co-founders' first names. "I think that there will be 10 or 12 PC manufacturers left in the world and AST will be one of them," Mr Qureshey declares.

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PERSONAL AND PORTABLE COMPUTERS 6

WHEN THE transportable computer had the dimensions and weight of a large and full briefcase which was usually plugged into the mains, the size, weight and capacity of the batteries were relatively unimportant.

However, as portable computers have shrunk and computing-on-the-move has become more of a reality, considerably more attention has been focused on the power supply and particularly on how long batteries will last between charges.

Indeed, battery technology has become one of the main limiting factors in the quest for lighter and smaller machines with desktop functionality that can operate for long periods without an umbilical power cord.

Unfortunately, battery technology has lagged behind developments in almost every other sector of electronics. By some estimates, battery technology for portables has improved a paltry 5 per cent a year and in most portable devices the battery now accounts for a quarter of the weight, compared with a tenth a decade ago. As a result, battery makers are now scrambling to come up with lighter, more powerful and longer-lasting batteries.

With the exception of hand-held computers, most portables have until recently relied on rechargeable nickel-cadmium batteries. Generally, they provide enough power between one and four hours, depending upon the application. More power could be delivered by larger batteries, but this would add weight.

These NiCad batteries have other disadvantages, including

Paul Taylor looks at battery technology and power management

Quest for lighter machines poses a bit of a size problem

the so-called "memory effect" which can mean that unless they are fully discharged before recharging they gradually lose capacity - or the ability to be fully recharged.

Improvements in NiCad technology are reaching their limits, while some governments are moving towards banning them because the cadmium they contain is so toxic that they are difficult to dispose of safely. So researchers have switched their attention to new types of rechargeable batteries.

Several alternatives have been tried, but most have either proved unstable or have shown little power-to-weight advantage over NiCad cells. Manufacturers want a cell that is electrically compatible with NiCads but lighter, thinner, longer-lasting, quicker to recharge and friendlier to the environment.

So far, the most popular alternative has been nickel-metal hydride powerpacks. Initially developed in Japan by Sanyo, NiMH batteries can now be found in the latest portables. NiMH cells deliver the same 1.2 volts as NiCad cells but can store nearly twice as much power (watt-hours) and have the added advantage of being more environmentally friendly. Their total life span of about 1,000 charge/discharge cycles compares with

500 to 600 cycles for NiCad batteries.

However, some manufacturers including Sony Energizer, an affiliate of the consumer electronics giant, have attempted to leapfrog the competition with a new generation of rechargeable batteries based on a lithium ion cell.

By providing rechargeable batteries with a thumbnail-sized low-cost microprocessor

containing a mathematical model of battery behaviour, Dr Green says it is possible to monitor and control the way the battery operates.

Among the advantages he claims for the intelligent battery packs he has been working on are extended service life - because charging and discharge are carefully controlled - the ability to pack up to 15 per cent more charge into a battery and astonishingly fast recharge times - as short as three minutes.

Another byproduct of the research is that intelligent batteries can provide detailed information to the user about their charge state - "an accurate fuel gauge".

However, the relatively limited and slow progress in rechargeable battery technology,

coupled in particular with the advent of power-hungry colour portables, has encouraged portable computer manufacturers to turn to other solutions to extend operating life of their machines.

This is one factor behind the move by notebook computer manufacturers to replace disk drives and similar components with less power-hungry alternatives such as the PCMCIA (Personal Computer Memory Card International Association) memory cards.

An earlier development, pioneered by Toshiba, was software implemented power management systems which introduced auto-resume and pop-up battery power indicators.

Software-based power management solutions can enhance battery life, but some risk introducing compatibility and reliability problems, and more fundamental solutions are required to achieve the substantial power savings which portable PC users now demand. More complex power management systems therefore depend upon a combination of hardware and software features.

To provide this, chipmakers AMD and Intel have begun to deliver low power versions of their standard micro-processors with special built-in features to improve power man-

agement and extend battery life. Intel began by redesigning its 80386 chip set to include System Management Mode (SMM) circuitry producing the power-saving Intel 80386SL chipset, unveiled at the end of 1990.

Last year, Intel followed up by releasing the 486SL, a low-voltage version of its most powerful PC processor. The 486SL's "flexible voltage" feature means that although it can operate as a 5-volt device, the real savings are made at 3.3 volts with other low voltage components. In these circumstances power consumption is reduced 50 per cent from a 5-volt 386SL system. Intel claimed this should yield up to five hours of additional battery life.

Low-powered chips running at 3.3 volts, instead of the usual 5 volts, have another big advantage - there is less waste heat to contend with. Indeed, some portable computer manufacturers held off from releasing 80486 notebooks because of concern about overheating and Intel has incorporated System Management Mode (SMM) circuitry into its soon-to-be-released Pentium chip.

SMM is thought to account for about 10 per cent of the 3.2m transistors on the Pentium chip, switching idle bits of the computer in and out of "sleep" mode at great speed and even turning off different parts of the microprocessor between key strokes.

Perhaps by the time the first Pentium-based portables appear, other power management techniques and battery technology itself will have made equally significant leaps forward.

Paul Taylor



The pen may prove mightier than the key

ELECTRONIC PEN TECHNOLOGY

A shadow on Qwerty's keys

THE QWERTY keyboard has always been an odd choice of interface between man and machine. It is difficult to use, and for many, intimidating.

By the end of this decade, if the prophets of high technology are right, the keyboard may have been consigned to the dustbin, at least as far as portable computing is concerned. In its place could come voice or electronic pen technology, or a combination of the two.

The hottest new products at last November's Comdex computer fair in Las Vegas were those operated by moving an electronic pen across a touch-sensitive screen or pad. Portable Computer manufacturers, including industry heavyweights Toshiba, Apple, and IBM are racing to deliver computers which take their commands from a pen rather than a keyboard.

Some market researchers have predicted that 1m pen computers will be sold by 1995, but the market is in its infancy and the estimates vary widely. Last year perhaps 100,000 pen-based machines were sold. Among the first pen-based machines to reach the market were hand-held machines from Pocket, the Fujitsu subsidiary, and the GRIDPad from Victor Technologies. Meanwhile NCR, the AT&T subsidiary, has already launched a successor to its 3125 pen-based machine which was the first system based on Intel's 80386 microprocessor.

The new NCR 3130 is based on the Intel 80386SL microprocessor, comes with two megabytes of RAM expandable to 16, flash memory or a hard disk, and weighs 4.4 pounds. A new screen texture has been used that feels more like paper than glass to write on. If the machine is dropped, it senses gravity changes and shuts the hard disk down.

So far, two basic designs of pen computer have appeared: the clipboard and the palm-top. Clipboards are generally A4 size, weigh about 6lb, and are used just like a conventional pen and paper clipboard for collecting data or completing pre-defined electronic forms. Customised software enables engineers, market researchers, nurses or surveyors, for example, to gather data, with the pen operating like a glorified mouse, pointing to items on the screen to select them.

On both sides of the Atlantic several companies have begun to use clipboard machines so as to achieve cost savings in paper-intensive areas. The UK Department of Trade has also sponsored the Freestyle projects to explore the use of pen computers in industry.

But the biggest market share of the pen-based computer market is expected to go to the hand-held palm-tops. The most eagerly awaited of these is the Newton, Apple's "personal digital assistant" which is due to be launched later this year. Newton, measuring 7in by 4in, will feature a flip-up lid and a thin electronic pen which clips

onto the side of the casing. Once again, however, the development of the pen computer market, like the desktop PC market before it, could be constrained by competing software operating systems. In addition to Apple's Newton, there are already three competing operating systems, Microsoft's Windows for pen computing, which claims the support of more than 120 software vendors, Penpoint from GO, a Silicon Valley company and Geoworks. IBM is also understood to be working on a version of its OS/2 operating system for pen environments.

Microsoft, in particular, is betting heavily on the success of pen computing. Mr Bill Gates, its chairman and co-founder, has said he expects pen computing to take off very rapidly. He sees pen-based computer systems as "the next generation of portable computers."

The company believes that the relative ease of using a pen-shaped electronic stylus instead of a keyboard will provide computer power to users like as lorry drivers, meter readers, the police and others who, because of their jobs, cannot use a conventional portable computer with a keyboard. However, before pen computing becomes widely adopted, the character recognition software which they use for turning pen writing into computer text will have to become more sophisticated. At present most systems can just about cope with neatly-written capitals, but are lost when it comes to reading standard cursive writing. What is more, most typists, even the two-fingered ones, can write more quickly with a keyboard.

For these reasons, some critics suggest that the advantages of pen computing are being overstated. One possible immediate solution to this problem is to build machines which feature both keyboards and electronic pens.

One such machine is the recently launched GRID Convertible which looks and works like any other clamshell-type notebook computer. However, by using cunning hinges which drop the screen flat on its face, the Convertible can be closed with the screen on the outside. It can then be used like a conventional clipboard pen system.

Meanwhile Sharp, the Japanese electronics group, will launch the latest in its IQ electronic organisers next month which for the first time uses pen technology. The IQ-9000 has a small keyboard and an electronic pen which can be used to activate the usual functions of an organiser on its touch sensitive screen.

However, as in the PC market, any surge in pen-based computer sales will probably not happen until the development of application software will enable the machines to do really useful work - and no one really knows what form that will take or when it will happen.

Paul Taylor

SCREEN TECHNOLOGY

Display: the next steps

IT IS axiomatic that, without the thin flat liquid crystal display, the notebook computer that dominates the portable market today could never have been built. Display technology will also play a pivotal role in determining the shape, size and function of the next generation of portable computers.

Liquid crystals are odd substances, sharing properties of both liquids and solids. After their discovery in 1888, they remained a laboratory curiosity until 1938 when RCA, the US broadcasting company, found that by applying an electrical charge, the liquid crystal molecules could be made to

realign so that they could either pass, or block, polarised light.

Ten years later Sharp, the Japanese consumer electronics group, sold the first calculators with LCD screens. But when the first transportable computers emerged in the early 1980s, they packed tiny cathode-ray tube displays. These were heavy and power-hungry and

were quickly replaced by the LCD panel which has since become the standard for portable computing.

Nevertheless, over the past decade there has been growing pressure from portable computer users for clearer, brighter screens and in particular recently for high-resolution and colour screens able to do justice to sophisticated software packages like those running under Microsoft's "Windows".

In simple "passive" LCD devices, known as twisted nematic (TN), liquid crystal molecules are held in a double sandwich of polarising filters and glass plates. Individual cells can then be made to lighten or darken by applying a charge.

Today's new slimline notebook machines, like the 3.5in Dell 330SLA, boast these significantly improved LCD screens which also consume less power than their predecessors, enabling manufacturers to cut battery weight.

Dell's 330SLA features a 3.5 inch LCD that uses 75 per cent less power than the conventional edge-lit LCD but is still able to offer a high contrast ratio of 12:1 and 640x480 (VGA) resolution.

However, despite these improvements, "passive" LCD technology still has some shortcomings. In particular, the contrast is still insufficient

to reproduce the entire range of colours available on a CRT, and LCDs have relatively slow response times which mean that moving images in particular tend to blur and leave shadows.

These problems are overcome by using another form of LCD screen. Most notebook manufacturers now sell premium-priced top-end machines with high definition full-colour LCD screens using "active matrix" thin film transistor (TFT) technology in which contrast and response time are boosted by adding a transistor "switch" to each display cell or pixel.

However a TFT display is an extremely complex device consisting of 10 to 15 layers of materials, finely etched circuitry, and around 1m transistors that can be shrunk only by a microscopic speck of dust. Predictably, manufacturing defects are high and, despite manufacturing improvements, up to 20 per cent of the displays have to be scrapped. But, as yields improve, prices are beginning to fall.

Aside from passive and active matrix LCDs, there are two other relatively common screen technologies in current use: gas plasma and electroluminescence.

Unlike LCDs, which need back or sidelighting, gas plasma displays generate their own light. A particular advantage of the technology is that response times are fast. The price of gas plasma portables is lower than that of active

matrix systems, and colour plasma displays are technically possible.

Electroluminescence (EL) screens are also fast, can support very high resolutions and are cheaper than TFT displays, but they tend to be power-hungry.

Manufacturers have therefore been investigating other technologies including ferro-electric LCDs and metal-insulator-metal (MIM) screens, both of which have yet to make their way into full commercial production.

In MIM displays, a layer of insulator is sandwiched between two layers of metal. They provide high contrast and may eventually be cheaper than TFT machines. However, mass production techniques for MIM displays have yet to be devised.

Some industry analysts and manufacturers believe that in the longer term ferro-electric LCDs, pioneered by Thorn EMI in the UK and Cannon in Japan, offer the most promise because potentially they have significant advantages over TFT displays.

FLCDs use a different type of liquid crystal which reacts more quickly and, most importantly, is bi-stable. This means that if a pixel is switched on so that light cannot pass, it stays like that; if it is switched off so that light can pass, it stays like that too.

Because only those parts of the screen that have changed need to be updated, battery life can be increased by 20 times or more.

FLCDs are also lighter, brighter, easier to view and cheaper than TFT screens, but have been more difficult to develop as a practical screen because of their sensitivity to shocks although this problem now appears to have been overcome.

Mass production of FLCDs is probably at least three years away, but they should be significantly cheaper than TFT systems because no transistors are required. Their fast response times and high contrast should also make them ideal for pen-based computer systems.

In the meantime Mr David Brooke, Dell Computer's European product marketing manager for portables, believes that most of the exciting developments over the next year will involve conventional (LCD) screen technology. In particular, he argues that advances in LCD technology will enable manufacturers to build smaller and lighter machines with higher resolution displays - closing the quality gap with desktops.

He also expects more notebook computer manufacturers to offer interchangeable modular screens - ranging from low cost mono twisted nematic LCD screens all the way to high definition colour TFT displays.

Adopting a modular screen design will help manufacturers reduce the need to maintain high stock levels while customers will benefit from greater choice and flexibility.

There has been growing pressure for clearer, brighter screens

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Paul Taylor

PERSONAL AND PORTABLE COMPUTERS 7

Peripherals are being updated in line with personal computers

Quality reaches all parts

MOST OF the personal computer industry's attention in recent years appears to have focused on making PCs smaller, faster, cheaper and more powerful.

Equally aggressive efforts, however, have gone into doing the same for the devices which users attach to their PCs - including printers, back-up systems, scanners, network systems, external displays, modems, high-capacity external storage systems and just about anything else you can

imagine. The most noticeable difference for most users has been in the quality and variety of printers available for their PCs.

While impact technology - such as dot matrix and daisy-wheel - characterised printer designs in the first half of the 1980s, higher-quality, non-impact systems using laser and inkjet print engines now dominate the market. These have been married with sophisticated "page description languages" such as Adobe Post-

Script and Hewlett-Packard's PCL5 to provide unprecedented printing flexibility and quality.

This has given a large number of users the chance to produce almost-typeset quality from their printers - as well as graphs, charts and diagrams that would previously have to be produced by a commercial artist (or not at all).

Two other printer innovations which have had great impact in recent years are the proliferation of colour printers and, more recently, portable printers. The former have made personal computers credible pre-production tools for professional colour publishing work, while portable printers have made life a little easier for the growing army of those who carry their computers around.

While printers have been improving the images that come out of a PC, scanners have increased the range and quality of information that go into them. Scanners allow users to "photocopy" images onto the computer's hard disk - so that they may be stored, edited and printed at any time. They are vital to anyone involved in PC publishing work and, when combined with optical character recognition software, allow users to have

large amounts of text on paper turned into editable word-processor files on the computer's screen.

Colour and portability are also the two major areas of innovation in the scanning world. Lower-cost colour scanners are coming into their own at the moment - as are inexpensive ways of obtaining colour pictures in a form that can be used by PCs.

One of the best examples of this is Kodak's new Photo CD process - which allows standard 35mm films to be "developed" onto a personal computer's add-on CD-ROM optical disc. The images from that disc can then be treated as any other scanned images - except they are of a far higher quality than most users would be able to get from an affordable hand scanner.

That situation is not likely to exist for long, however, as the quality of hand scanners is improving fast and the price is dropping just as quickly. A number of good colour hand scanners - such as Logitech's ScanMan 356 - offer the ability to scan images into a PC with support for up to 256 colours.

The great limitation to such devices, however, is that they can scan only a certain portion



Instant record: the HP DeskJet portable printer on the front seat of a car

of a standard A4 page at once. This means that you must often do several scans and "stitch" them together to get a complete page into your computer.

Scanners and printers largely concern themselves with the business of getting images or text in and out of your computer. A new range of computer add-ons stretches the horizon of what you can get a

PC to do for you.

These add-ons are called "multimedia" peripherals - and generally include sound cards, a CD-ROM, a microphone and external speakers. If used in an operating environment that supports them properly, these extras enable you to incorporate speech in on-screen presentations, use educational applications that can play music and animated

sequences on the computer - and even standard audio CD music.

The real key to the success of multimedia, however, lies in the CD-ROM. This variation on standard CD audio technology allows specially-encoded compact discs to hold up to 600 Megabytes of data each - giving them six to eight times the capacity of the average personal computer hard disk. That

is why increasing numbers of encyclopedia products are being offered on CD-ROM.

CD-ROM versions of encyclopedias can incorporate the voices of famous people, digitised images of places, animated sequences explaining how different technologies work - and lots of text that can easily be searched by the computer and then printed out as needed. And, of course, they do not weigh as much or require the death of many trees in their production process.

Finally, there is the rebirth of the parallel port. For years, the parallel (sometimes called Centronics) connector on the personal computer was used only for hooking up printers - sending information from the computer to the printer.

Recently, however, the parallel port has become the conduit for two-way data traffic - and many developers have designed converters that turn parallel printers into SCSI (Small Computer Systems Interface) connectors. SCSI is a popular connection standard, supported by most manufacturers, allowing users to hook up external hard disks, CD-ROMs, tape back-up systems and other devices.

By using the parallel port as a SCSI connector, even the most humble portable computer users will now have another way to hook up some very powerful add-ons to their machines.

Geof Wheelwright

ENTERPRISE-WIDE NETWORKS

The global area links may take a little while

THE ERA of stand-alone personal computers is over, but that of enterprise-wide networks has not yet begun. How quickly the transition can be achieved depends partly on developments in the software industry and partly on how willing management are to change their thinking.

Linking personal computers together to form local area networks has become standard practice in the past few years, driven largely by a user rebellion against slow service from central mainframe and mini-computer departments.

The typical LAN now joins together around 20 users and around a tenth of LANs join as many as 250. By 1995 it is expected that half of all the business PCs in the world will belong to such networks.

LANs were set up first to provide relatively simple applications such as word processing, spreadsheets and electronic mail. As users increasingly look for more quickly developed and more cost-effective corporate systems, LANs are gradually being extended to take on more of the traditional data processing functions, based on larger databases from leading suppliers such as Oracle and ABE Ingres.

The era of stand-alone PCs has come and gone in little over a decade. But to connect PC LANs to corporate systems to form wide area networks and enterprise-wide or "global area" networks, which will allow many thousands of users to communicate, is a vastly more complicated matter.

Many firms have machines on different sites that are connected, but it is one thing to be able to transfer simple files between them and another to get complex applications running across several transport protocols.

Some of the network management problems involved in establishing enterprise-wide systems are still unsolved and look unlikely to be solved for several years. Processes such as the electronic distribution of new versions of programs to thousands of users in remote sites are just only beginning to

new products.

Last year, Novell launched a major move to broaden its operations by an agreement to take over Unix System Labs from AT&T. Ownership of UNIX will give Novell control of the development of the Unix operating system.

Unix is the engine of most of the new range of smaller machines which have been steadily taking over from mainframes and minicomputers in the past few years.

This acquisition will therefore give Novell a central role in the evolution of corporate systems and potentially the ability to integrate those corporate systems with LANs.

Novell's plans for Unix remain a matter of speculation until the takeover process is completed. However, there is a

The main barriers to building effective networks are psychological

view in the industry that it will seek to consolidate Unix as the vehicle for the next generation of systems built on a client/server structure and to push it down onto personal computers as a shrink-wrapped commodity product.

Mr Ben Smith, Novell's UK managing director, argues that users will benefit by having Unix in the hands of a hardware-independent company. He says that Novell intends to "purify" Unix by reducing the number of variants in use.

However, Novell may now come into confrontation with Microsoft, which could bring a new and potentially damaging conflict within the industry. Microsoft's UK marketing manager for corporate network systems Mr Jack Foggy says that there will inevitably be more direct competition between the two companies because of their similar business strategies.

The opening shots in the battle have already been fired. Novell and the Unix camp claim that very little is yet known about Windows NT and that users have no reason to wait for it. Meanwhile, Microsoft has begun to argue that Unix has design weaknesses and is seeking to show that many software developers are switching their support from Unix to Windows NT.

Some industry experts consider that the main barriers to building effective enterprise-wide networks are psychological rather than technological. They say that most corporate networks are still badly managed, inefficient and unreliable.

Mr Chris Yates, managing partner of telecommunications consultancy Newburn Consulting and formerly of National Power, is a proponent of this view. In his opinion "95 per cent of networking problems are managerial and only 5 per cent technical. Most business leaders are still not aware of how dependent their business is on communications. They ought by now to be as aware of information technology issues as they are of finance or production."

Ms Laura Lillyquist, European marketing manager for Sun Connect, Sun Microsystems' networking business, also thinks the problem of building global area networks is one of management education. "Each vendor only owns one piece of the problem," she argues.

"Users may need software products from a dozen different sources to be able to get machines to interact properly at the application level. But many of them are still attuned to one-stop shopping for their computing and do not take advantage of the range of choice of products available."

George Black



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DESKTOP PUBLISHING

This is the year for colour systems

THE MOMENTUM of desktop publishing (DTP) is being strongly maintained as prices fall for high-performance personal computers, laser printers and enhanced page-composition software.

Furthermore, new methods of colour creation for documents of all types are exciting users' right across the DTP spectrum.

As businesses large and small discover the almost endless range applications for DTP - from brochures, sales catalogues and financial reports to colour magazines, books and newspapers - there is a rising demand for better-looking publications.

Countless publications in typewritten form are also becoming candidates for DTP - "for business, DTP has meant lower costs, more control and later deadlines on a wide variety of printed materials," says Emilia Knight, Apple's publishing marketing manager.

Worldwide revenues for DTP software tools are likely to reach \$360m this year, rising by \$100m in 1994 and reaching \$663m by 1996, according to forecasts by the International Data Corporation.

Much of the thrust of the DTP market has come from the US. Although Apple Corpora-

tion, with its Macintosh computers, along with the Adobe Postscript page description language, were founder companies of the industry, an increasing number of other hardware and software companies are developing their own market strategies for DTP.

Today, there are two main DTP markets. One, at the low-end - what is termed the personal or "office DTP" sector, including in-house publishing to promote its services or products. Then there is the high-end, professional DTP market, described by Apple as "DTP for profit." This includes graphic art services, newspaper, book and magazine production.

On the hardware front, the increasing power of PCs and portable computers is good news for desktop publishers, especially with the move towards colour systems which demand. At a starting point, the cost of a basic Apple DTP system is under \$2,500 with, say, an Apple Mac LCII computer, with 14 ins. colour moni-

tor, (\$1,099); Aldus Pagemaker software (\$500); and a personal LaserWriter for around £775. Five years ago, the cost of a basic system might have been nearer \$3,000.

Apple's new mid-range Mac II and Centris computers (prices range from \$1,675 to \$2,595) have systems built-in to support up to 256 colours in the new 14 ins colour display - and can be easily upgraded to deliver 32,000 colours. Last month, Apple introduced its Colour Printer (\$1,995) for Mac users wanting to use colour in everyday documents. It takes advantage of ColorSync software's colour matching capabilities, ensuring that DTP users achieve colour output that closely matches colours created on the computer's display.

DTP technology has brought creators (writers, designers, editors, illustrators and photographers) much closer to the production process, and in many cases eliminated the need for a separate production step altogether, says Jonathan

Seybold, the DTP industry's guru.

The collision, eight years ago, between the computing and publishing began a "revolution that turned the publishing industry upside down, and spawned desktop publishing," according to Jonathan Seybold. The publishing revolution is far from over, which means that training for new DTP entrants continues to be an important issue, especially with the need for skills to operate for colour images systems

and other of new technologies.

While today's software with colourful icons and graphical user interfaces (GUIs) help to reduce the DTP learning curve, training and consultancy services are in demand from business users. Rank Xerox, with its philosophy of "total quality document," offers a range of workshops for programs such as Pagemaker, Ventura and CorelDraw.

The reason that colour is the hot topic of the DTP world is that, until now, the missing

ingredient has been colour management systems.

While different devices, such as scanners, monitors and printers deliver colour variations, software products - such as ColorSync from Apple - now provide excellent matching facilities.

In the colour management arena, companies such as Kodak, Agfa, EFI (Electronics For Imaging), Quark, Apple, Microsoft, Adobe and other suppliers are planning strategies to make colour management the norm. There is also wide interest in Kodak's new Photo CD system - a quick and economical way to bring colour images to the desktop for business and commercial imaging applications.

Photo CD allows DTP users to take 35mm colour pictures, scan them on to a disk and retrieve them via a CD-ROM drive. High resolution pictures can then be easily imported into documents. Linked with Photo CD is Kodak's new PhotoEdge software which allows images on a PC to be modified

in colour, tone and shape.

Next to colour, the hottest area in computer publishing are the emerging digital technologies able to deliver documents in a new form. For example, users may wish to view only selected portions of documents, all stored electronically.

In the fast-changing DTP world, specialist software, such as Pagemaker and Quark XPress have evolved beyond all recognition. For professional page-layout systems in the UK, 53 per cent use Quark XPress and 23 per cent use Pagemaker, according to Ashdown, the strategic marketing consultancy. Aldus has recently announced Pagemaker 5.0 for Windows and Macintosh, offering 100 new features and enhancements for professional DTP users.

In the Windows environment, Microsoft, in particular, is making ease-of-use a strong feature. It has seen wide success among DTP entrants with the "Microsoft Publisher" package.

Windows applications. Overbook sales of DOS applications in the UK in November for the first time, according to Romtec, which forecasts a 25 per cent share lead for Windows this year.

As technologies merge, there is growing interest in multimedia - the computer-based medium which brings together text, high-resolution graphics. The conversion of traditional media into a common digital format gives multimedia its wide appeal. Apple, the leading supplier in this field, has been providing hardware platforms for multimedia since 1985.

Microsoft, the developer of MS/DOS operating system and the Windows 3 graphical environment, has been involved in developing multimedia technology on PCs since the mid-1980s. The conversion of traditional media into a common digital format is what gives multimedia its wide appeal.

Meanwhile, interest is also being shown in publishing without paper - such as electronic delivery, allowing rapid access to visually sophisticated documents. Adobe's Acrobat software, for example, aims to solve the transmission of these documents between incompatible computers.

Michael Wiltshire

APPLICATIONS SOFTWARE

A general purpose tool-box

APPLICATIONS software for personal computers is changing. The increased power, mobility and ease-of-use of modern personal computers has stimulated a new wave of software - in the form of a general-purpose tool-box. This replaces the traditional idea that an application is a set of programs built to suit a specific user.

At the same time, personal computer software is now required - and increasingly able - to span different technology environments in terms of hardware and operating systems software. This means the same software can be used on different types of personal computer and even on powerful workstations. Personal computers can also communicate with each other - and with larger systems - to make use of shared resources such as laser printers and centralised corporate databases.

Increasingly, a personal computer - whether on a desktop or on someone's lap in an aeroplane - is a personal window into a corporate computer network.

This growing role for personal computers has put pressure on software developers to build software which is flexible, adaptable and portable.

"We have to think about the tools we can build which will contribute to what users want - particularly as they are becoming more mobile," says Mr Paul Bailey, European and international vice-president of leading software developer Lotus Development.

"Mobile computers speak directly about personal productivity. But it goes beyond that. You can dial up and connect to the network and the rest of the company. And through electronic mail and workgroup systems like Lotus Notes, you can work in new ways," Mr Bailey continues.

It is also possible to build applications in new ways. Lotus Notes applications, for example, grow from electronic mail infrastructure and a set of tools which can be used both by the end user and by the systems professional. The end user applies the tools to individual needs and preferences - the professional

developer extends the infrastructure to provide more services and features.

Application software for personal computers has always differed from that used on larger computers. The low costs of personal computer hardware and the way it is used, meant that traditional ways of building applications could never work.

They require lengthy analysis and design, rigorous testing and expensive support. While this is still necessary for large-scale, corporate computing, it is not cost-effective to build applications for personal computing in this way.

Applications software for personal computers evolves organically, rather than being cast in concrete like that used in larger computers. Personal computing must take account of the personal and the best

way to provide this is to devise good tools which can be used to do many different things.

This concept began with the emergence of graphical user interfaces (GUIs) like the Apple Macintosh and Microsoft Windows. These environ-

Turner, product manager at Apple UK.

"This means that users can mix-and-match their software and their computer hardware. They can run the same applications and exchange data between the two machines," he

Personal computers can communicate with each other - and with larger systems - to make use of expensive shared resources such as laser printers and centralised corporate databases

ments provided a standard framework which could be used to build many different types of application and, more important, new types of tool.

"Many leading products - Lotus 1-2-3, Excel 4, Wordperfect - are now available across Apple Macintosh and Microsoft Windows on the DOS PC," says Mr Nigel

add. The increased popularity of graphical user interfaces (GUIs) is a principal force in the drive towards standardisation.

Not only have GUIs provided a common standard for user access and a better way to exploit the power of personal computers, they have also

helped standardisation at increasingly high levels of software. An application program built for the Apple Macintosh can be transported to a Windows environment relatively easily. Although they are different environments, both use a common set of functions to draw screens, control the mouse and access data. These functions can be translated easily from one environment to the other.

"A lot of DOS developers are finding the benefit of Windows - it brings them broader market potential," says Mr Turner.

It also brings advantages to the end user. There is no need to learn a new set of controls for every new program - the instruction to print a document is the same regardless of what type of document it is. But GUIs are the tip of the

iceberg. Behind the flashy graphics is a set of standards for exchanging data between programs, access to standard "drivers" for screens, printers, scanners, and even ways to link data dynamically.

This is a powerful mechanism for building new style applications. A spreadsheet table showing monthly sales figures can, for example, be embedded in a word processor document - and updated automatically if there are any changes in the table. An executive information system can extract data from remote databases automatically and display the results as if they had come from the local disk.

The disciplines of developing application software based on GUIs has led to rapid standardisation of many aspects of software. And as personal computers evolve into multimedia communications devices, this process is likely to accelerate. "Quicktime - the systems software which handles multimedia in the Macintosh - will soon be available for Windows PCs too," says Mr Turner.

This means that all types of data - video, audio, text and numbers - will become interchangeable - if not identical in form. A video message recorded on a Macintosh will be playable on a Windows-based personal computer.

This new form of computer communications demands different ways to create applications and will stimulate development of new software tools.

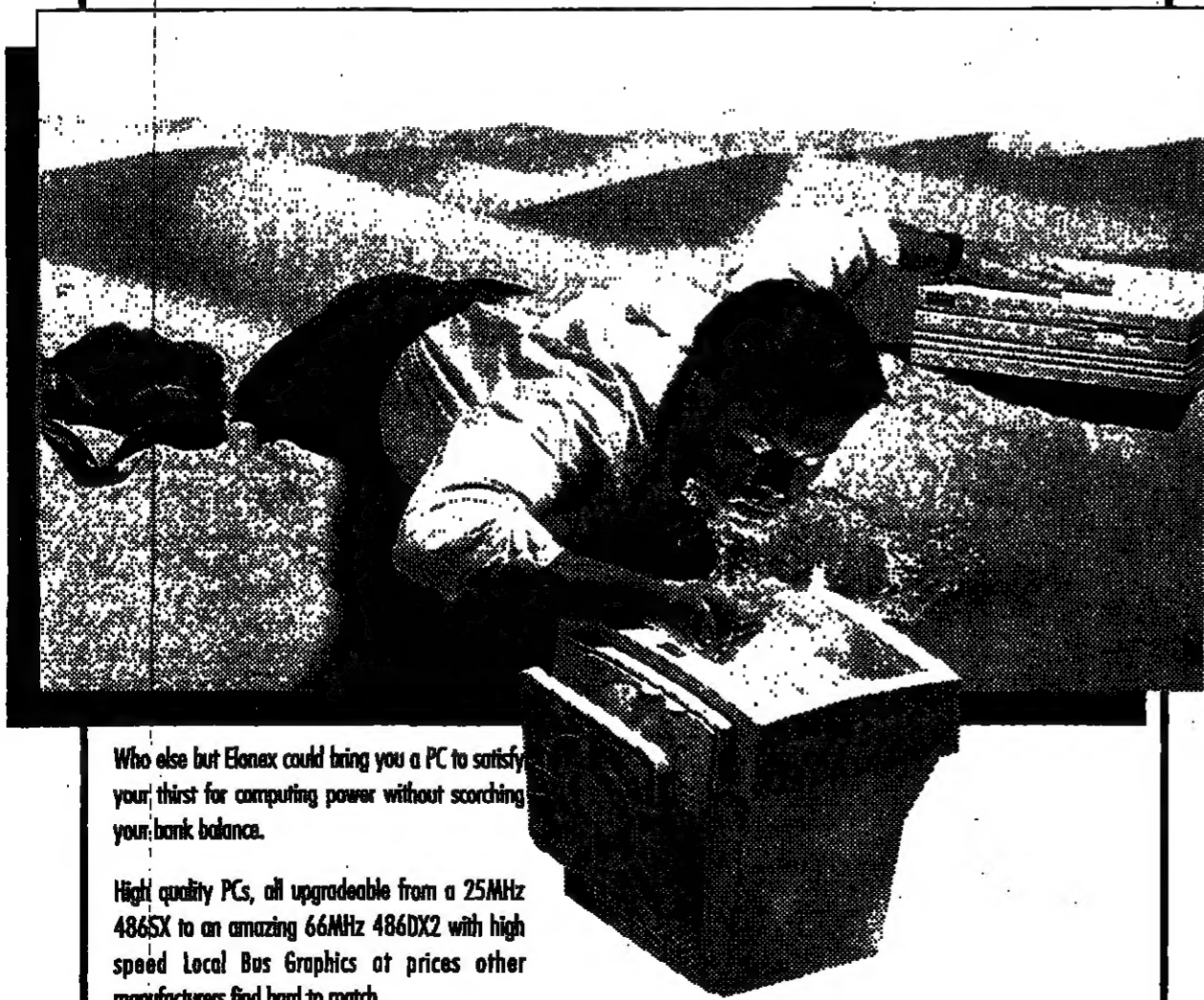
"We increasingly view an application as a series of editors - ways to enter, change and access data," says Mr Bailey of Lotus.

"We need to provide an infrastructure - electronic mail, access to databases - and the tools to let users get at it and use it the way they want to," he adds.

There is no doubt that a great deal of progress has already been made and it is not too hard to imagine a time, when personal computers will combine a broad set of power tools which can be applied to all aspects of information processing.

Phil Manchester

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PERSONAL AND PORTABLE COMPUTERS 9

THE computer industry is preparing itself for one of its periodic technology shifts. In the past these shifts were solely the result of fundamental advances in hardware – the inventions of both the transistor and the microprocessor are notable examples.

This time, however, the technology shift is the result of a fundamental change in operating system software – the software which controls what goes on "under the covers" and provides the base for applications. Improvements in user interface software and in telecom-

munications, and the novel applications they can deliver, demand much more from operating systems software than before. Nowadays they must not only control the internal workings of the computer they dwell in, they must also take care of the complexities of networks and be able to communicate with other systems.

The stability of the personal computer software industry is, therefore, under threat. Microsoft's MS/DOS – with an estimated 150m users worldwide – has dominated the PC industry for a decade and fought off

every challenge.

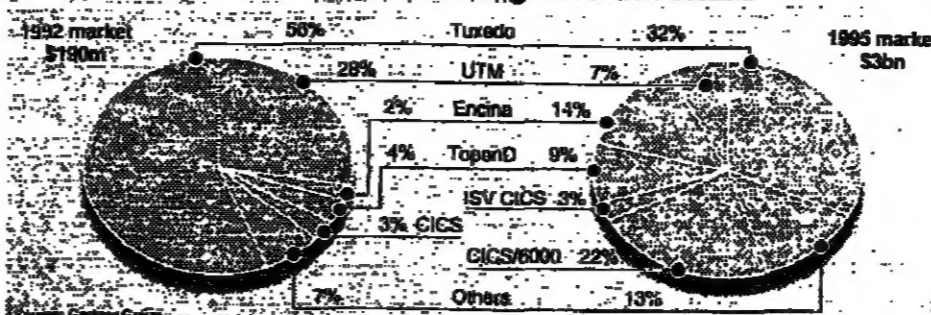
But at the end of 1992 US networking software company Novell declared its intent to take over the development of Unix, one of the two biggest challengers to MS/DOS. Originally developed by AT&T for minicomputers, Unix has been widely adopted as the universal operating system for mid-range computers – although it has, for some time, been touted as a possible candidate to replace MS/DOS. Through the takeover of Unix Systems Laboratories (USL), which was set up in 1991 to co-ordinate development of Unix for the industry as a whole, Novell hopes to become the "custodian" of Unix and mount a serious challenge to Microsoft.

Novell hopes to do this by bringing Unix together with PC networks.

Novell is in a good position to achieve this. It has established itself as the dominant supplier of networking software for personal computer local area networks (LANs) with its Netware package. It claims to have about 70 per cent of this growing market and has itself beaten off a challenge from Microsoft – which also has designs on this important market.

Novell's takeover has other implications – especially in the market for corporate computer networks. USL also controls the development of an important software product called Tuxedo – a package that can combine traditional corporate transaction processing

Network transaction processing: market share



OPERATING SOFTWARE

Technology shift

ing with personal computer networking.

Novell's move has occurred at a time when the limitations of personal computer software are becoming increasingly evident. Their lack, both of system security and the robustness associated with operating software on large computers, has led to close examination of operating system software and what it might be required to do in the next decade.

If Novell combines its successful networking software with the virtues offered by Unix and Tuxedo, it could outflank Microsoft.

It will certainly change the fate of Unix.

"We see Novell skewing development towards the inte-

gration of Unix with networks," says Paul McGuckin, a mid-range computing specialist at market researchers Gartner Group.

"It will concentrate on the kernel, low-level operating software – at the expense of the high-level stuff. This could mean that Unix vendors will have to be more self-reliant as far as the high-end development is concerned," Mr McGuckin adds.

The technological intricacies of computer operating systems are generally beyond most computer users. Unfortunately, the choice of an operating system is as important as the choice of the computer hardware it runs on. Operating systems organise the internal

workings of a computer and, as a consequence, they dictate what the computer can do and what applications software can be used.

The MS/DOS PC launched by IBM a decade ago brought stability for the first time and allowed the development of a wide range of applications.

The success of the graphical user interface (GUI) on the Apple Macintosh prompted Microsoft to add the Windows GUI and make significant improvements to the original software, but MS/DOS is still outdated and in need of replacement.

Specifically, MS/DOS has failed to make any impact on the world of networked systems – the area where Nov-

ell dominates.

The final result of the conflict is far from clear. Microsoft continues to improve MS/DOS and is in the process of developing Windows/NT – an entirely new contender. IBM continues to promote OS/2 with varying degrees of success. And, the many versions of Unix – including AIX from IBM itself – vie with each other for dominance.

Mr Brian McBride, IBM UK's AIX marketing director, sees Novell's takeover of Unix as "healthy" because it brings stability to Unix. "We see it as a different implementation that we can communicate with. None of use can afford to lock each other out in a networked world and we are all being driven to standards-based inter-operability."

Mr McBride is confident about IBM's ability to integrate Unix, PC networks and corporate computing – in addition to maintaining links with other systems.

Where it could come into conflict with Novell, however, is in the area of transaction processing and USL's Tuxedo – an increasingly important part of the link between personal and corporate computing.

"You can link a DOS/PC into Unix systems with Tuxedo. It is an open transaction processing system," explains Ms Gillian Mogg Smith a consultant at USL.

"Linking it with Novell is a separate issue. But we have already done much work with

Novell with the UnixWare development," she adds.

Tuxedo dominates the open transaction processing market – but IBM is hot on its heels. IBM's rival to USL's Tuxedo is a Unix-based version of its 25-year-old CICS teleprocessing package. Developed originally for mainframe-based on-line processing, CICS is a well-established and mature piece of software with about 33,000 principal sites across the world.

Last year IBM announced CICS/6000, a version which will run under AIX/Unix and allow personal computers to act as "client" terminals to an enterprise-wide computer system. IBM has licensed CICS to Hewlett Packard, which will build a "reference" version to work on other manufacturers' mid-range Unix systems.

According to the Gartner Group, this sector is set to expand rapidly in the next three years. It says that the total market for mid-range transaction processing was worth only \$190m last year. By 1995 it will be worth \$3bn worldwide – with Tuxedo and CICS/6000 taking more than 50 per cent of the market between them.

This is rich ground for a battle between IBM and Novell. It also seems likely that Microsoft – while having no obvious plans to get into this area – will certainly be keeping an eye on it.

Phil Manchester

CHIP WARS

The battle to topple Intel

INTEL jumped from third to the top of the world league of semiconductor companies last year according to Dataquest, the market research company. Its 28 per cent (\$1bn-plus) growth in revenues cut across the general recessionary trends of the industry.

Interestingly, 1992 saw two other major US manufacturers, Motorola and Texas Instruments, achieve significant growth (23 per cent and 11 per cent respectively) compared to low single-figure growth, or even declines, by the Japanese suppliers.

Across the board, the US suppliers' share of the world market grew by some 3 per cent, whereas the Japanese fell by nearly 4 per cent, giving the two groups roughly equal shares in the marketplace.

The key drivers of this are linked: the growth in demand for high-powered processors such as Intel's 486 device, and the rapid and widespread acceptance of the portable PC as not only a low-powered, note-taking addition to an existing desktop system, but as a computer in its own right.

All the leading portable PC manufacturers now offer high-powered, fully-specified systems, often in a notebook form factor. Their popularity, one of the few sales high spots in a lacklustre year for PC makers, has driven the demand for the high-performance processors offered almost exclusively by US suppliers.

This trend, however, increases the pressure on the dominant processor supplier, Intel. Not only does it face stiff competition for its leading desktop PC devices both in the marketplace and the law courts, but there are also increasingly tough technological challenges as it seeks to service the needs of portable and notebook PC users.

The US suppliers' share of the world market has grown by 3 per cent

The competition comes from a growing number of sources. There is even speculation that IBM, which lost nearly as much as Intel grossed, might join the fray. It could be the dark horse of the semiconductor marketplace. IBM is often claimed to be, in practice, the largest semiconductor manufacturer in the world, and has significant rights to produce Intel-compatible processors.

The most important area for competition now comes in two areas which can be loosely defined as the "present" and the "future". In the former, it is the popularity of notebook PCs which is the driving force.

Here the rate at which the electronics consumes the power of the batteries is of vital importance, and while much is being done in software to control the utilisation of the circuitry, displays and disk drives, making devices that consume less power in the first place is the high demand.

Intel is most threatened in this area, for others are joining it in producing devices that operate at 3.3 volts, rather than the standard 5 volts. This one-third reduction in power consumption means a reciprocal increase in battery life – a strong sales point for notebook manufacturers.

Even with 5-volt devices, any saving in consumption is vital. For example, Intel introduced a low-power version of its popular 386 processor, the 386SL, some two years ago, but this has been beset with problems and has not proved too popular with systems companies. One leading supplier, Toshiba, recently went on record that it would utilise Advanced Micro Devices 386SX processors because Intel could not match the power consumption specification.

Intel has now switched its emphasis from the low-power 386 processor to the low-power 486 marketplace, where it has a 3.3 volt 486SX processor available and already being used in notebook systems from Toshiba and Texas Instruments. The company is gambling this device will become the effective "entry-level"



Clean-cut chip-making under sterile conditions at Pléssy

specification for such systems. Packing density is as crucial an element as consumption. Many other suppliers, such as Cyrix and Chips and Technologies, offer notebook PC manufacturers greater advantages by integrating more of the PC architecture "glue" circuitry – the many components that surround the processor and memory devices – on to a single chip together with the processor itself.

In the near term, Intel's success will hinge on its continued extension of the technology. It has, for example, the next generation of its processor family, the Pentium, (often referred to as the 586) due out shortly. Several PC makers have already demonstrated systems running this device and it is likely soon to appear in a high-end portable system as well.

Further in time comes the "future" competition, in particular the new generation of hand-held computer-telephone systems, Personal Digital Assistants (PDAs).

The first company to declare a real interest in this market has been Apple Computer, with its Newton product, based on a Reduced Instruction Set Computer (Risc) chip from ARM, the UK company in which has a minority stake. A more recent contender is Sharp, the Japanese consumer electronics and computer giant. As yet, however, it is fair to say that both are dabbling with the market to assess customer demand.

The potential, however, is huge, particularly if AT&T, the US telecommunications leader, is to be believed. The company's microelectronics division recently launched the Hobbit processor, chipset specifically to address this market, predicted to account for 10m units by the turn of the century.

The objective is to create systems which combine personal pen computer, cellular telephone, fax and a wide range of communication services such as electronic mail into a single, hand-held personal unit.

This is an entirely new marketplace which Intel, and others that make compatible chips, will not automatically dominate.

Indeed, the power required to manage these facilities points, as AT&T has found, to the use of Risc devices optimised for the job.

It is an opportunity which has not escaped the notice of IBM which, together with its alliance partners Apple and Motorola, is already well advanced on the design of a chip specifically for PDAs.

This will be a development of the new PowerPC processors from the partners, the first example of which is now entering production. It will have a significant potential advantage for corporate users, for it is planned to be code-compatible with all other versions of the PowerPC family. This will extend from desktop workstations to large enterprise network servers.

It is unlikely that Intel will ignore this new market opportunity, especially as it could also offer similar levels of enterprise-wide compatibility. It is, however, a market offering different technologies and services, so it will be a new, level playing field on which it has to compete.

Martin Banks

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PERSONAL AND PORTABLE COMPUTERS 10

DISTRIBUTION

Pile the small boxes high

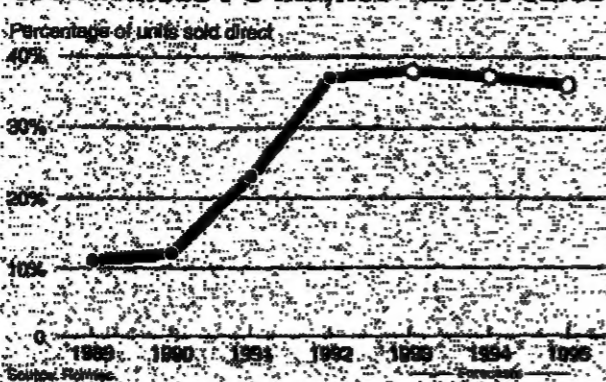
WHEN IT comes to distribution, the salient feature of the portable computer sector at the moment is that there is no salient feature. The construction of an average portable computer is now virtually as trivial a task as the construction of an average desktop PC; the arrival of the portable computer as a commodity means the departure of its ability to command a greater margin than a desktop computer.

Traditionally the trade's ability to charge higher prices for, and therefore make a greater margin on, portable computers has been dependent on the expense of producing components that are smaller and use less power than those that make up a desktop computer. The standard package that these components have to be placed in has not, however, shrunk significantly in the past 18 months or so, and the portable's place on the cutting edge of technology has started to look shaky.

If the target box weighs around 6lb and takes up the same amount of desk space as an A4 sheet, you don't actually need to make the hard disk smaller than 2.5in, and if you have not yet made the next breakthrough in battery or LCD (Liquid Crystal Display) technology, you cannot charge for it. In effect, you could say that portable computing is between technologies.

The current basic issues in portable computer distribution are therefore similar to those in the desktop market. The

UK business PC market - direct sales



direct channel, typified by small start-up companies specialising in off-the-page, low margin selling sets the price for an increasingly experienced user base, while traditional players react by cutting their own costs, perhaps stripping service out of the basic machine price and selling it as an extra, and attempting to segment the market by launching multiple ranges.

It is no accident that the low-cost ranges which Compaq and IBM produce for the commodity market now tend to include portable computers. Essentially, portables are now boxes, and the main difference is that, as they are smaller boxes, you can pile them higher before you sell them cheap.

For other reasons, desktops are likely to become more like portables. The US Environmental Protection Agency (EPA) Energy Star programme, for example, is intended to trigger

massive reductions in the power requirements of business computers, and the technologies being used to do this are largely borrowed from portable computing.

IBM's Energy Workstation prototype, for example, which was demonstrated in the US last November, is intended to use a low-voltage processor, "credit card" storage and a colour LCD. Portable manufacturers can view flat-panel colour displays as a differentiating factor for their machines, but it is likely that environmental and health considerations will make them standard on the desktop at around the same time as they become standard on portables, and at that point one of the few differences between desktops and portables will be the level of power management employed.

Because the battery life of a portable computer needs to be maximised, it probably makes

sense to incorporate clever circuitry that switches off parts not being used. But it is the life of a desktop machine that has to be maximised, so it probably does not make sense to have bits switching off in between key-presses, because the machine will break a lot sooner. It is not, however, clear how much users would be willing to pay for such an apparently small piece of differentiation.

But there are areas associated with portable computing where differentiation is still possible, because although the box itself has become trivial, the way in which it links to the rest of the world is becoming more critical. If it is now financially viable for a company to buy 2,000 portable computers for its salesforce, it becomes absolutely vital that the company work out how that salesforce uses those machines in the company network.

So the perceived value of the machine, and hence the margin, will be greater if it uses some form of "base station" of the sort recently introduced by Apple, where the connections and expansion can be left on the office desk, and the portable plugged in when it needs to be a "desktop".

Because most portables do not use standard expansion slots, manufacturers which have spent money on developing internal fax modems and network adaptors for their machines will again tend to be able to command higher prices. Theoretically, these advan-

tages should erode, and some companies may give one the impression that they had vanished already, but credit card expansion, which will ultimately lead to new capability for both portable and desktop machines, is not quite as finished as one might suppose.

Although there were numerous credit card-sized fax modems at Comdex, the US computer show, last year, Mr Bill Goodwin, chairman of British developer Communicate, claims his was one of the few that actually worked. Credit card Ethernet and Token Ring adaptors are in a similar state of development, and although Communicate finds that an increasing number of manufacturers rely on the imminent arrival of credit cards, rather than pay to have their own internal modems developed, credit card expansion slots are still not so common, and when they are fitted are not necessarily of the type needed.

To be used for anything other than memory expansion, the slot has to be PCMCIA (Personal Computer Memory Card International Association) type 3 or greater, while for larger peripherals such as credit card hard disks, the double thickness PCMCIA type 3 is needed. No machines on the market use this, but then there are no credit card hard disks on the market, either.

But although it is still possible for the channel to make money out of portables by selling high value expansion, and the next generation of "standard" portable expansion will also initially be able to command higher prices, this new equipment is being designed specifically to sell as a commodity, and should only be able to raise margins for a short period. By switching to smaller format designs, dropping the weight of a notebook computer by a few pounds as companies like Dell have recently done, and by pushing into colour screens, manufacturers will have the ability to restart the technological spiral.

John Lettice

PERSONAL DIGITAL ASSISTANTS

IBM poised to compete

THE POINT about the computer of the future is that it is a phone. For the past 10 years the computer industry has been trying to sell computers to people who do not buy them. The sticking point has always been that people buy applications, not computers. There is no single application that the buyer who does not need a spreadsheet, database, word processor or games-playing machine views as a "must". So enter the Personal Digital Assistant (PDA), the phone, the entirely different model.

Apple fired the first shot in the PDA wars about a year ago, announcing its Newton device would be on the way, but it looks as if the industrial muscle of IBM and AT&T will make the running.

Starting from the premise that the basic components of a computer - CPU, memory, screen and credit card expansion - can be boiled down into a cellphone-sized package, those companies can then work out sets of applications for them.

Mr Paul Mugge, head of Entry Systems Technology, IBM's R&D division, at Boca Raton, Florida, thinks of these as "personality" modules. A credit card-sized wireless modem, for example, could be slotted in and used by a student to download information from the college library. Games modules could be fitted to turn it into a games machine, or it could be a portable TV or personal entertainment system.

All of these could theoretically use a wireless modem - if it's a TV, for example, one might just download films from the local video library. Mr Mugge goes as far as to paint a picture of a "virtual mall" where an entire computer-generated model of a shopping mall could be used by any

number of people with any number of PDAs.

His problem, however, is that he has to make at least some of these goals achievable by the end of the year, launching and selling what will probably be small quantities of PDAs into a definable market.

AT&T sees the PDA market as eventually being in the billions, "basically the number of telephone handsets in the world if we're being modest, and the number of people in the world if we're not", and Mr Mugge himself accepts that for his dreams to come true, units have to sell at consumer prices, say \$99 or \$99, depending on which side of the Atlantic you're on.

IBM spokesmen, however, speak of a substantially higher initial price, the \$500-\$1,000 being basically dictated by prices in the cellphone market, which is probably the PDA's first achievable target.

The first IBM demonstration units indicate the type of machine that the company intends to test this summer. They are slightly larger and heavier than the current generation cellphones, but are of similar shape. Rather than a keypad or keyboard, they have a touch-screen and pen combination which allows different key or number layouts to be used, and also gives the computer-phone some note-taking capabilities.

Instead of the new generation operating systems, such as Go's PenPoint, Microsoft's Pen Windows or IBM's own pen extensions to OS/2, they use a custom version of the PC-DOS operating system that has been running on desktop PCs for 10 years.

Mr Lee Ralswig, IBM software president, sees DOS - which was developed to run on low-power computers - as the operating system to be used on machines with limited power,

and IBM's PDA is one of the first examples in that kind of setting. Although its basic system is DOS, the machine uses what is described as a "custom shell" sitting on top, and users need never see the systems that lie underneath.

In this way, IBM should have a chance of establishing itself in the cellphone market, by offering basic phone services plus smart messaging, computer communications, notepad and personal organiser functions. As the cellular market itself grows out of its infancy, PDA suppliers should be able to grow with, or even ahead of, it.

Although IBM has historically been known for producing high-value machines, the company now looks well-placed to exploit the market for low-cost, hand-held devices.

Along with Intel, IBM runs the Robert Noyce Center research project in Boca Raton. Its primary goal is to produce a super-integrated PC-on-a-chip based on Intel's x86 processor. This will provide brains for the PDAs, which will be compatible with current industry standards.

IBM is also one of the few substantial memory manufacturers outside south-east Asia, and is investing heavily in the next generation, which is also one of the few western companies involved in developing flat panel colour displays.

Heavy research in multimedia, together with its alliance with Apple, may not have an effect on the first generation of IBM PDAs, but as the devices move from high-price specialist business tools to low-cost consumer toys, knowledge of how to handle sound and video will also become important.

John Lettice

Geof Wheelwright looks at networks' hidden benefits

Tougher times for pirates

PERSONAL COMPUTER networks look set to change forever the way that software is sold and used. While networks offer computer users many big advantages, there are also some hidden benefits for computer and software manufacturers about which you will probably not hear so much.

To start with, PC networks give computer companies control over what is being done with PC software throughout an office or department - and in particular they restrict software piracy.

For years, it was common practice in many companies to buy a single copy of a popular PC package such as WordPerfect or Lotus 1-2-3 and let a number of users share it.

For as long, the software industry has been telling users that this was illegal. It has tried to educate the business community about software licensing and piracy issues. Now, the advent of widespread PC networking gives it a chance to exert effective control over software use.

The breakthrough has been achieved by the introduction of "network-aware" versions of stand-alone PC software products. For example, a network-configured version of a spreadsheet can identify the serial numbers of all other versions of that software being used at the same time. If it finds any other machine using a spreadsheet with the same serial number, it will refuse to load.

Piracy prevention is not the major reason for producing network-aware versions of software, but it is a useful by-product of the process. It is also forcing software companies to look at how personal computer software is sold. Traditionally, software companies would tell purchasers that they were buying a single "site-licence". That licence would entitle the user to operate the software on only one computer at any one time. It would be all right to have one copy on your desktop computer and another on your portable system - provided both were never in use at the same time.

But with the average "serious" software application costing \$300 to \$700, many companies found that buying enough software for everyone who might want to use it was too expensive. In small companies

many individuals deliberately or inadvertently made single copies of software on more PCs than they should.

The industry is aware that piracy is still widespread and that software companies are missing out on sales. To combat the problem, companies such as Microsoft are considering "site licensing". The theory is this: companies which buy a copy of every product for every employee rarely have more than 50 per cent of that software in use at any one time. So they are paying for more software than they need. Also, some may shy away from implementing a given software solution altogether due to the cost.

According to Mr Mike Maples, Microsoft executive vice-president for products, "site

The industry is aware that piracy is still widespread and that software companies are missing out on sales. To combat the problem, companies such as Microsoft are considering "site licensing"

licences" allow all users in a company to install the Microsoft's Word for Windows word-processor on their PCs - but the company would pay only 60 per cent of the cost of buying individual licences.

He says software companies would actually sell more product to corporate customers and that piracy would decline dramatically if this were to become widespread. The software companies could also make money on sales of additional documentation for extra users and on the supply of training programmes - which have long been a source of strong profit for those that conduct them.

These "soft" solutions to the piracy problem are an improvement on heavy-handed efforts such as the use of "key" disks or hardware "dongles". The key disk anti-piracy system required users to have a specially-encoded floppy disk in the disk drive of their PCs when they wanted to use the software. This arrangement was fine until you accidentally damaged or lost the key disk - then you would be unable to use your software.

There have been similar problems with "dongles" - which are anti-piracy software devices on a chip. They operate by plugging into a PC's printer port and send signals to the PC that the dongle is in place and the copy of the software is legitimate. Dongles have, however, been known to interfere with printing and are also easy to lose. Software reviewers despise them and users have no great enthusiasm for them, either. But with improved network-based control of software registration and an increased use of site-licensing, neither dongles nor software protection look as if they have a future.

Finally, it appears that even the US government wants to help end piracy. Outgoing President George Bush signed an anti-piracy bill late last year that imposed tougher fines and jail sentences on big-time software pirates. Software piracy is now a felony - punishable by up to five years in prison and \$250,000 in fines - rather than a misdemeanour. And US professional software associations hope that the new legislation will help curb the estimated \$1.2bn lost in revenues each year to software piracy.

Although the software industry does not expect the Federal Bureau of Investigation to leap to attention every time an individual PC user makes an illegal back-up copy of software, the publicity being given to these changes in piracy law should make big-time pirates think twice. Combine that with an ongoing legal assault on pirates and you have a powerful movement against the illegal use of software.

Mr Bill Gates, Microsoft chairman and founder, says that he has teams of people reading computer advertisements from small PC manufacturers all over the country - and checking with the Microsoft contract department to ensure that each one which offers the MS-DOS operating system with PCs actually has a legitimate contract to have it supplied. If not, Mr Gates unleashes the legal wolves.

So the message in all this is to be much more careful about the software you put on your PC. The industry is out to get software pirates - and with huge financial resources, and the backing of the Federal Bureau of Investigation - the pirates don't stand much of a chance.

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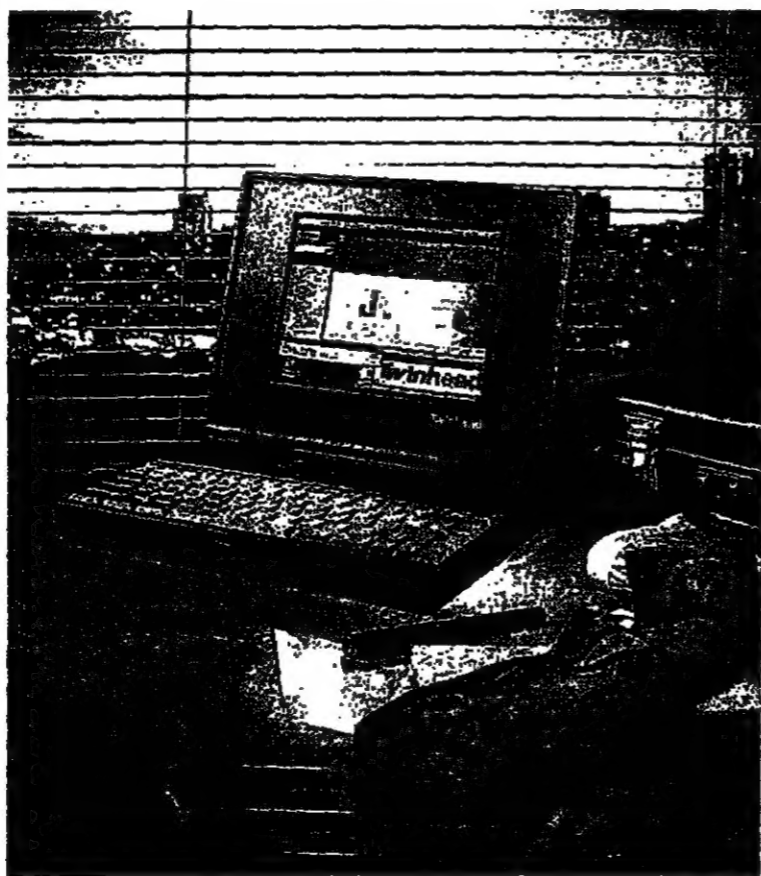
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